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Canada, Banking and Commerce,
in Select Standing Committee, 1932/33.

Canadian Parliament

SESSION 1932-33
HOUSE OF COMMONS

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SELECT STANDING COMMITTEE

ON

(BANKING AND COMMERCE)

MINUTES OF PROCEEDINGS AND EVIDENCE

[and Report]

No. 1 — 6

TUESDAY, MARCH 7, 1933

TUESDAY, MARCH 14, 1933

} — May 12, 1933

Order of Reference: *Re Debts and Interest Rates.*

WITNESS:

Dr. R. H. Coats, F.S.S., Dominion Statistician.

OTTAWA
F. A. CLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1933

ORDERS OF REFERENCE

HOUSE OF COMMONS,

FRIDAY, February 3, 1933.

Resolved,—That the following members do compose the Select Standing Committee on Banking and Commerce: Messieurs Arthurs, Baker, Beynon, Bothwell, Bowman, Campbell, Casgrain, Chaplin, Donnelly, Dorion, Ernst, Euler, Fafard, Gagnon, Ganong, Geary, Hackett, Hanson (*York-Sunbury*), Harris, Hepburn, Howard, Hurtubise, Irvine, Jacobs, Lapointe, Laurin, Lawson, Mackenzie (*Vancouver Centre*), MacMillan (*Saskatoon*), McGibbon, McPhee, Matthews, Mercier (*St. Henri*), Peck, Perley (*Qu'Appelle*), Pettit, Power, Ralston, Raymond, Rhodes, Robinson, Sanderson, Smoke, Spencer, Stanley, Stevens, Sullivan, Vallance, White (*Mount Royal*), Willis, 50.

(Quorum 15)

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

FRIDAY, February 3, 1933.

Ordered,—That the Select Standing Committee on Banking and Commerce be empowered to examine and inquire into all such matters and things as may be referred to them from time to time by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

MONDAY, February 6, 1933.

Ordered,—That the following proposed Resolution be referred to the said Committee:—

Whereas the question of public and private indebtedness has become one of the greatest and most perplexing problems, enhanced during the past years by the extremely low price level of all primary commodities; through which this indebtedness must be in large part met, and the effect of which has been to double and treble the actual burden of these liabilities; and

Whereas this fact has been recognized in respect of certain international obligations, and has become a practical issue in respect of the public obligations of many countries; and

Whereas no such recognition has as yet been given to the heavy private indebtedness within this country, although these, together with the high interest rates which prevail, constitute just as heavy and impossible a burden to the individual, as do national and international obligations to the countries concerned, and

Whereas this situation is one of the greatest factors in the present economic depression, and is one of the greatest barriers to the financial recovery of agriculture and industry, and as such, deserves and commands the immediate attention of this Parliament;

Therefore be it resolved: That, in the opinion of this House, the Government should give serious and immediate attention to the question of debts and interest rates within this country, and the possibility of their reduction, either by way of direct action, or by the submission of the entire problem to the Select Standing Committee on Banking and Commerce, in order that the subject may be fully enquired into, and, if possible, some solution found.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

TUESDAY, February 14, 1933.

Ordered,—That the following Bill be referred to the said Committee:—

Bill No. 23, An Act respecting the Saint Nicholas Mutual Benefit Association and to change its name to "Ukrainian Mutual Benefit Association of Saint Nicholas of Canada."

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

WEDNESDAY, February 15, 1933.

Ordered,—That the name of Mr. Morand be substituted for the name of Mr. Peck on the said Committee.

That the name of Mr. Coote be substituted for the name of Mr. Campbell on the said Committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

MONDAY, February 20, 1933.

Ordered: That the following Bill be referred to the said Committee:—

Bill No. 17, An Act to incorporate Canadian Railway Employees Mutual Benefit Association.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

TUESDAY, February 21, 1933.

Ordered: That the following Bill be referred to the said Committee:—
Bill No. 29, An Act to amend and consolidate the several Acts relating to
the Board of Trade of the City of Toronto.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

TUESDAY, March 7, 1933.

Ordered: That the name of Mr. Speakman be substituted for that of Mr. Coote on the said Committee. —

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS TO THE HOUSE

HOUSE OF COMMONS,

WEDNESDAY, February 22, 1933.

The Select Standing Committee on Banking and Commerce begs leave to present the following as a

FIRST REPORT.

Your Committee has duly considered Bill No. 23, "An Act respecting the Saint Nicholas Mutual Benefit Association and to change the name to 'Ukrainian Mutual Benefit Association of Saint Nicholas of Canada'" and beg leave to report that, for the purpose of more accurately defining the objects of the petitioners, your Committee has made certain changes in the preamble of the said Bill; otherwise, the Bill is reported with amendments.

Your Committee recommends that in respect to said Bill No. 23, the fees and charges paid thereon, under Standing Order 93, less the cost of printing and translation, be refunded.

All of which is respectfully submitted.

R. C. MATTHEWS,
Chairman.

For concurrence: See Votes and Proceedings, Tuesday, February 22, 1933, at p. 246.

HOUSE OF COMMONS,

TUESDAY, February 28, 1933.

The Select Standing Committee on Banking and Commerce begs leave to present the following as a

SECOND REPORT.

Your Committee has duly considered Bill No. 17, An Act to incorporate Canadian Railway Employees Mutual Benefit Association and has agreed to report the said Bill without amendment.

All of which is respectfully submitted.

R. C. MATTHEWS,
Chairman.

HOUSE OF COMMONS,

TUESDAY, March 7, 1933.

The Select Standing Committee on Banking and Commerce begs leave to present the following as a

THIRD REPORT.

Your Committee has duly considered Bill No. 29, An Act to amend and consolidate the several Acts relating to the Board of Trade of the City of Toronto and has agreed to report the said Bill with amendments.

All of which is respectfully submitted.

R. C. MATTHEWS,
Chairman.

HOUSE OF COMMONS,

TUESDAY, March 14, 1933.

The Select Standing Committee on Banking and Commerce begs leave to present the following as a

FOURTH REPORT.

Your Committee recommends that it be granted leave to have printed, for the use of the Members of the Committee and of Parliament, 500 copies in the English language and 200 copies in the French language of the proceedings of the Committee and of the evidence to be taken before the Committee and of papers and records to be incorporated with such evidence; and that Standing Order 64 be suspended in relation thereto.

Your Committee further recommends that it be granted leave to sit while the House is sitting.

All of which is respectfully submitted.

R. C. MATTHEWS,
Chairman.

For concurrence: See Votes and Proceedings, Tuesday, March 14, at p. 306.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

TUESDAY, February 22, 1933.

The Select Standing Committee on Banking and Commerce met this day at 10.30 a.m.

Members present: Messieurs Arthurs, Bowman, Coote, Dorion, Euler, Gagnon, Ganong, Hackett, Hanson (*York-Sunbury*), Harris, Hurtubise, Irvine, Lawson, Matthews, McGibbon, Morand, Pettit, Ralston, Robinson, Spencer, Stanley, Sullivan, 22.

Mr. R. C. Matthews, Chairman, presiding.

The Clerk of the Committee read the Orders of Reference.

(The Committee considered Bill No. 23, An Act respecting the Saint Nicholas Mutual Benefit Association).

The Committee then proceeded to consider the following Resolution, referred to it by the House on February 6, 1933:—

Proposed Resolution: Whereas; the question of public and private indebtedness has become one of our greatest and most perplexing problems, enhanced during the past years by the extremely low price level of all primary commodities, through which this indebtedness must be in large part met, and the effect of which has been to double and treble the actual burden of these liabilities; and,

Whereas; this fact has been recognized in respect of certain international obligations, and has become a practical issue in respect of the public obligations of many countries; and,

Whereas; no such recognition has as yet been given to the heavy private indebtedness within this country, although these, together with the high interest rates which prevail, constitute just as heavy and impossible a burden to the individual, as do national and international obligations to the countries concerned; and,

Whereas; this situation is one of the greatest factors in the present economic depression, and is one of the greatest barriers to the financial recovery of agriculture and industry, and as such, deserves and commands the immediate attention of this parliament;

Therefore be it Resolved,—That in the opinion of this House, the Government should give serious and immediate attention to the question of debts and interest rates within this country, and the possibility of their reduction, either by way of direct action, or by the submission of the entire problem to the Select Standing Committee on Banking and Commerce, in order that the subject may be fully enquired into, and if possible, some solution found.—*Mr. Speakman.*

On motion of Mr. Hanson:

Ordered: That a sub-committee composed of the Chairman, Mr. Euler and Mr. Coote be appointed to draw up a list of witnesses and the agenda for future meetings of the Committee at which the above resolution will be under consideration.

The Chairman had read out the instructions of the Committee of Internal Economy on the reporting, by the official Committee Reporters, of matters other than evidence, viz:

The members of the staff of official stenographers to committees of the House are hereby instructed that their duties are limited to the reporting of evidence given before such committees. Beyond the mere noting of objections raised and the chairman's ruling thereon, which is necessary to render the record intelligible, discussions in committee are not to be taken down in shorthand and transcribed.

It was decided to adhere as closely as possible to the above instructions.

Mr. Speakman, by permission of the Committee, was heard on the Resolution. He summed up, under ten headings, the various sources from which, in his opinion, material germane to this inquiry might be gathered. (A memorandum setting out these headings is printed herewith as Appendix "A").

The Committee adjourned to meet at the call of the Chair.

T. L. McEVOY,
Clerk of the Committee.

HOUSE OF COMMONS,

TUESDAY, February 28, 1933.

The Select Standing Committee on Banking and Commerce met this day at 11 a.m.

Members present: Messieurs Baker, Casgrain, Coote, Dorion, Ernst, Fafard, Hackett, Hurtubise, Irvine, Lapointe, Lawson, Mackenzie (*Vancouver Centre*), Matthews, McGibbon, Mercier (*St. Henri*), Morand, Perley (*Qu'Appelle*), Pettit, Sanderson, Smoke, Spencer, Stanley, 22.

(The Committee considered Bill No. 17, An Act to incorporate Canadian Railway Employees Mutual Benefit Association).

The Committee then proceeded to consider the Resolution proposed by Mr. Speakman.

Dr. R. H. Coats, F.S.S., Dominion Statistician, addressed the Committee. He spoke of the difficulties involved in gathering most of the information required under the headings set out in Appendix "A." He also pointed out the impossibility of assembling some of the desired data.

Ordered: That Dr. Coats prepare, for the use of the Committee, a memorandum setting out the main points of his submission.

(That memorandum has been prepared and is printed herewith as Appendix "B").

On motion of Mr. Morand:

Resolved: That the following sub-committee be appointed: Messieurs Ernst, Bothwell, Bowman, Lawson and Power; for the purpose of discussing with the Law Officers of the Crown the constitutional issues, if any, involved in the Resolution and to report to this Committee.

The Committee adjourned until Tuesday, March 7, at 11 a.m.

T. L. McEVOY,
Clerk of the Committee.

HOUSE OF COMMONS,

TUESDAY, March 7, 1933.

The Select Standing Committee on Banking and Commerce met this day at 11 a.m.

Members present: Messieurs Arthurs, Baker, Bothwell, Coote, Donnelly, Dorion, Gagnon, Ganong, Geary, Hackett, Hanson (*York-Sunbury*), Howard, Hurtubise, Irvine, Lawson, MacMillan (*Saskatoon*), Matthews, McGibbon, Mercier (*St. Henri*), Morand, Perley (*Qu'Appelle*), Pettit, Power, Rhodes, Sanderson, Smoke, Spencer, Stanley, Stevens, Vallance.—30.

(The Committee took under consideration Bill No. 29, An Act to amend and consolidate the various Acts relating to the Board of Trade of the City of Toronto.)

The Committee then proceeded to consider the proposed resolution of Mr. Speakman.

Mr. Lawson, for the subcommittee to which was referred the drafting of questions covering the constitutional matters involved in the resolution, reported as follows:—

Your Committee has considered the remit and recommends to the Committee that the following questions be submitted to the Deputy Minister of Justice and the Deputy Minister of Finance.

It is also suggested that these questions be submitted, through the proper channels, to the Attorneys-General of the various provinces, so that the whole field of jurisdiction, envisaged by the questions, may be covered by the replies to these questions:—

Questions re jurisdiction.

Formulated by subcommittee of Select Standing Committee on Banking and Commerce for submission to:—

1. Deputy Minister of Justice;
2. Deputy Minister of Finance;
3. Attorneys-General of the various provinces.

1. Has the Dominion Parliament the power to fix a maximum rate of interest which may be charged on loans, et cetera, granted by corporations created by Dominion statute or letters patent where such corporations were
 - (a) previously incorporated;
 - (b) to be incorporated?
2. Has the Dominion Parliament any power to prescribe the maximum rate of interest chargeable on loans generally made by
 - (a) persons;
 - (b) corporations
 created by statute or letters patent other than Dominion?
3. Has the Dominion Parliament the power
 - (a) to fix;
 - (b) to alter

rates of interest in respect of bills of exchange and promissory notes?

4. (a) Has the Dominion Parliament power to enforce reduction of principal of debt in respect of loans made
 - i. by corporations incorporated under jurisdiction of the Dominion Parliament;
 - ii. by corporations incorporated under other jurisdictions;
 - iii. by individuals;
- (b) If necessary for the determination of the above questions, is any differentiation to be made between loans
 - i. secured upon real property;
 - ii. secured upon personal property;
 - iii. without security?

On motion of Mr. Lawson, seconded by Mr. Spencer:—

Resolved, That report of subcommittee be adopted and that recommendations contained therein be concurred in.

Discussion followed on the *modus operandi* of the Committee in respect to the calling of witnesses.

Mr. Speakman, by permission of the Committee, observed that he was keeping in close touch with the Chairman, with the work done by the various subcommittees. He had interviewed the Dominion Statistician, Dr. R. H. Coats, the Minister of Trade and Commerce, and was satisfied, in view of the immensity of the field covered by the resolution, that the matter thereof was being dealt with expeditiously.

The Committee adjourned to meet at the call of the Chair.

T. L. McEVOY,
Clerk of the Committee.

TUESDAY, March 14, 1933.

The Select Standing Committee on Banking and Commerce met this day at 11 a.m.

Members present: Messieurs Baker, Bothwell, Bowman, Casgrain, Donnelly, Dorion, Ernst, Euler, Gagnon, Ganong, Geary, Hackett, Harris, Hurtubise, Irvine, Lawson, Mackenzie (*Vancouver Centre*), MacMillan (*Saskatoon*) Matthews, McGibbon, McPhee, Morand, Pettit, Power, Raymond, Robinson, Sanderson, Smoke, Speakman, Spencer, Stanley, White (*Mount Royal*).—31.

Mr. R. C. Matthews, Chairman, presiding.

The Chairman read a letter received from W. Stuart Edwards, Esq., K.C., Deputy Minister of Justice, intimating that Mr. F. P. Varcoe, Senior Advisory Counsel of the Department of Justice, will attend upon the Committee, at any time the Committee may fix, in substitution for the Deputy Minister.

On motion of Mr. Raymond:—

Ordered, That the Committee report to the House recommending that leave be granted to have printed, for the use of the members of the Committee and of Parliament, 500 copies in the English language and 200 copies in the French language of the proceedings of the Committee and of the evidence to be taken before the Committee and of papers and records to be incorporated with such evidence; and that Standing Order 64, in relation thereto, be suspended.

On motion of Mr. Spencer:—

Ordered, That the Committee report to the House recommending that it be granted leave to sit while the House is sitting.

The Committee then proceeded to consider the proposed resolution.

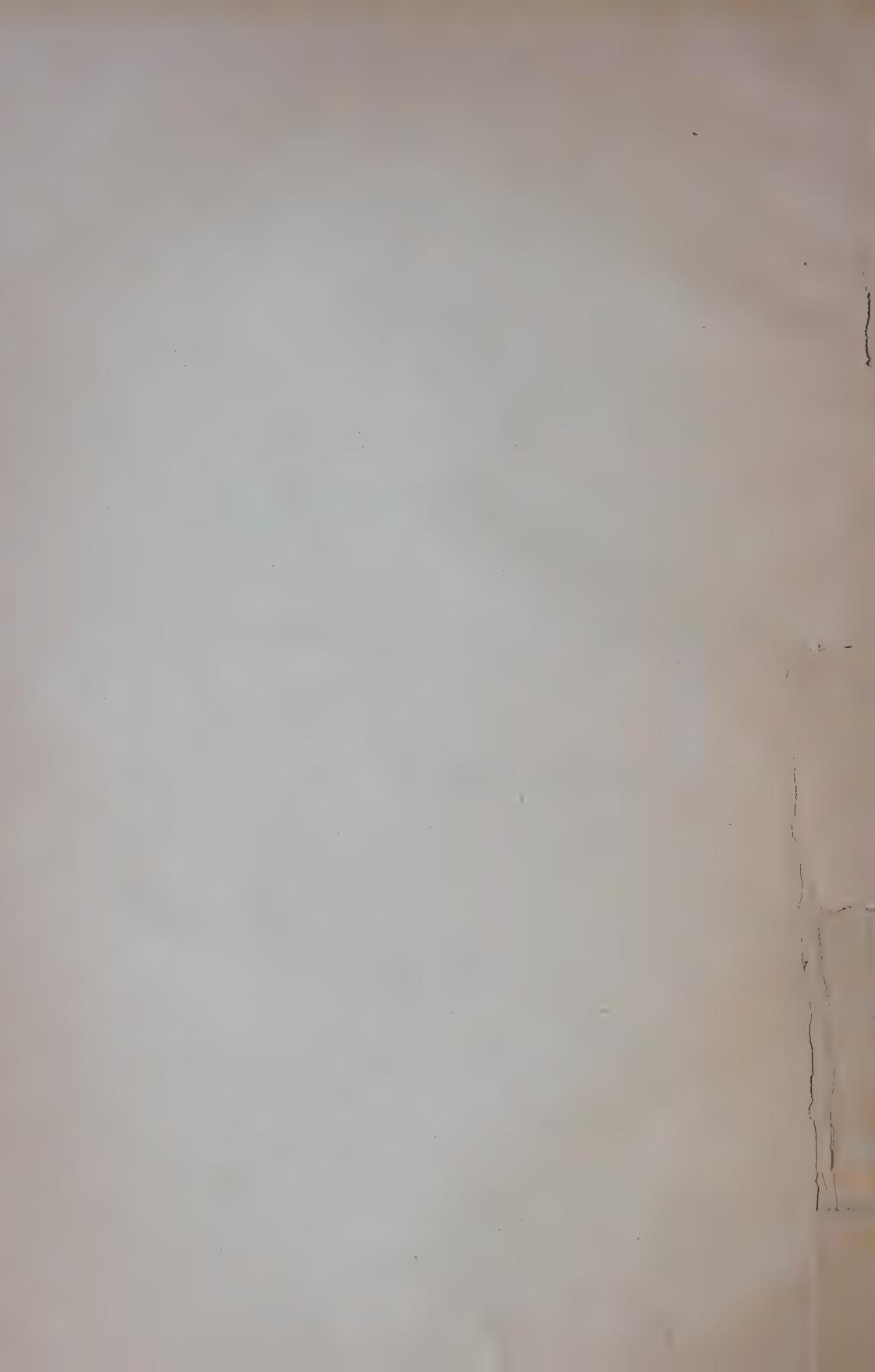
Dr. R. H. Coats, F.S.S., Dominion Statistician, was called, sworn and examined.

There was distributed a memorandum, prepared by the Dominion Bureau of Statistics, for the use of the members of the Committee, intituled "The Public Debt of Canada, Dominion, Provincial & Municipal, in 1932." (Printed herewith as Appendix "C".)

Discussion followed.

The Committee adjourned to meet on Thursday, March 16, at 11 a.m.

T. L. McEVOY,
Clerk of the Committee.



MINUTES OF EVIDENCE

The Select Standing Committee on Banking and Commerce met at 11 o'clock, a.m., Mr. R. C. Matthews presiding.

The CHAIRMAN: At the last meeting, at which Dr. Coats was present, we asked him to prepare a memorandum covering questions raised by Mr. Speakerman's resolution. Dr. Coats has prepared such a memorandum, and it will be distributed to the members of the committee. After the memorandum is distributed, Dr. Coats will proceed to discuss the public debt of Canada, on which he has prepared complete details.

Dr. R. H. COATS, called and sworn.

Mr. Chairman and gentlemen, in pursuance of your instructions to me at your last meeting, I have drawn up this memorandum, covering very much the same ground that was covered at our previous meeting. I do not know that I can add, in any way, to this memorandum on the particular point of view that was given to me to deal with. Perhaps if the members could look it over and ask me any question pertaining to any particular point, it would be the best way to proceed. I do not think it is necessary for me to read it.

The CHAIRMAN: Are there any questions on this memorandum before we proceed?

By Mr. Bothwell:

Q. I should like to ask a question in connection with appendix one. In appendix one I find the following statement: "gross direct liabilities of provinces, fiscal years ended in 1932, \$1,363,382,464." Have you, Dr. Coats, any record of the net liability of the provinces?—A. Might I suggest that that appendix is really not germane to this particular memorandum, which is a memorandum dealing with the general field to be investigated. That appendix is repeated in the memorandum on the public debt of Canada, which I propose to submit on question one. If you will look on page one of the memorandum, you will find the first question asked is this; "Amount of debt, under various classifications, public and private, and the total of the whole." I have a statement of the public debt of Canada which is, of course, much more complete than this particular appendix, which was more or less thrown in by way of illustration.

By Hon. Mr. Euler:

Q. Dr. Coats, in appendix one, do you include the whole of the debt on account of the Canadian National Railways?—A. Again, we are coming to that in a moment, Mr. Euler; but it has been, yes. Gentlemen, the Chairman suggests I might explain again exactly what this memorandum is. At the last meeting, or the first meeting, of the committee at which I was asked to attend, some ten questions were submitted, and I was asked to state as distinctly as possible just what data were available under each of those ten headings, or were not available, and what was involved in making them available. I dealt with them conversationally with the committee before, and I was then asked to reduce them to draft form, which I did, and which form is represented in this memorandum (Appendix B). It is largely a memorandum of sources of material, and the possible procedure towards enlarging those sources.

Mr. MORAND: Are we going to deal with No. 1 first, and then go on without questioning at this time? Why not go on with No. 1, and by that time we might have questions to ask on No. 2 and No. 3 as we come to them.

The CHAIRMAN: I am prepared to go on with No. 1 as soon as the committee has satisfied itself in regard to the questions on this memorandum. Gentlemen, we shall proceed with the memorandum on the public debt of Canada in 1932. This memorandum (Appendix "C") has been prepared by the Bureau of Statistics under Dr. Coats. It is a piece of work that has been well done; it gives in detail a great amount of information, and I am now going to have it distributed to the committee, and Dr. Coats will then proceed to read his memorandum and explain as he proceeds. After that, the committee will have an opportunity to ask questions of Dr. Coats.

The CHAIRMAN: Has everyone a copy? All right, Doctor Coats, you may proceed.

Doctor COATS: Gentlemen, I do not think this memorandum requires a statement from me, or can be added to very materially, as it is essentially a statement of detail. It is simply an assembly of the main figures of the public debt of Canada, dominion, provincial and municipal. You will find the summary set out in Table "1" on page 3. It shows the grand total, an amount something like six and a half billion. That is followed first by three statements covering dominion finance, the first of these three being the balance sheet of the Dominion, and the second being a statement of the funded debt of the Dominion, and the third being the guaranteed debt, showing country in which the principal and interest are payable. That is followed by a statement of the provincial debt, by items, on page 9, and with explanatory notes on pages 10 and 11; and, finally, a summary of the outstanding debt of the municipalities throughout Canada. I do not think that there is any explanation needed, in so far as I know, in addition to the two or three pages of opening comment, and the notes that are appended to the several tables. The birds-eye view, as I said, is given on page three.

Hon. Mr. EULER: May I make a suggestion, Mr. Chairman. I would suggest that we proceed here, much as we would with a bill, taking it up clause by clause, and as these are read—perhaps you don't want to read each one completely—the members probably would feel disposed to ask questions on which Doctor Coats would give information.

The CHAIRMAN: Doctor Coats is making some preliminary remarks, but that is his intention, to proceed just in the way you mentioned.

Doctor COATS: The table, I should say you would start with in that case, would be Table "2".

The CHAIRMAN: Doctor Coats, I would suggest you read the opening paragraphs.

Doctor COATS: Very well. I shall read, then, the introductory remarks:—

Statistics of the aggregate public debt of Canada, its provinces and municipalities are given in as complete form as possible for the latest available date in the following tables. Certain explanations regarding these tables are therefore in order.

Net Debt of Canada: The first item in the summary Table "1" is the net debt of Canada, which is the gross debt of Canada less the active assets which are largely either cash assets or are advances to parliament that are shown in the Public Accounts of those provinces as liabilities and therefore are properly charged against the gross debt of the Dominion to arrive at the net debt. Further details indicating how the net debt is arrived at are given in the balance sheet of Canada as at March 31, 1932, reproduced at Table "2".

That is the significance of Table "2".

Mr. WHITE (Mount Royal): Mr. Chairman, may I ask Doctor Coats a question to clear up a doubt that has been in my mind for a very long time. The debt of the Canadian National Railway is a debt of the Dominion of Canada, whatever name you may choose to call it. Now, in this statement on Page 3, the net debt of Canada is set forth as \$2,375,000,000. Then you come to the guaranteed debt, which, including the guarantee of interest only, amounts roughly to \$1,000,000,000, making a total of \$3,375,000,000, as the debt of the Dominion, direct and indirect, through our guarantees. What I desire to learn is this: Does that figure of \$3,375,000,000 include the total debt of Canada, including its whole liability on account of the Canadian National Railways?

Dr. COATS: I will ask Dr. Cudmore, who has prepared this statement, to answer.

Dr. CUDMORE: In making this statement, we proceeded on the—we took the figures as given by the Finance Department in the Public Accounts. I believe there are some bonds of the Canadian National Railways, or its constituent companies, which are not technically guaranteed by the government of Canada.

Mr. WHITE: But they are a liability on Canada.

Mr. HACKETT: Indirectly, only.

Mr. WHITE: Everything in connection with the railway is liability on Canada.

Mr. HACKETT: Not directly, contractually only.

Mr. HARRIS: They are mortgaged.

Mr. WHITE: It is a liability.

Mr. MORAND: Sure it is a liability on the railway and we hold the second mortgage.

Mr. WHITE: If, for instance, you turn to the annual report of the Canadian National Railway, you will find the liability of that described; so many bonds in the hands of the public, such and such an amount owing to the Dominion of Canada. Now, that amount owing to the Dominion of Canada appears again in the debt of the Dominion, because it represents expenditures made upon railways from confederation down, beginning with the Intercolonial. All the moneys paid out directly by the Dominion of Canada will appear in the public debt of the country, but you get a large portion of that amount again in the annual report of the Canadian National Railways, and my belief is that an amount—it may be a billion dollars, somewhere in that neighbourhood—appears twice; first of all, in the statement of the Dominion debt, and then in the statement of debt of the Canadian National Railways. That amount should be eliminated from one or other of those accounts, when you seek to ascertain the real debt of the Dominion of Canada, including that arising from the railway.

Dr. CUDMORE: If you look at Appendix "C", Table "2" on page 4, gentlemen, you will see that there is a large amount of non-active assets of the Dominion, railway accounts (old), railway accounts (loans non-active). Now, that is taken care of; you may remember in the public accounts before 1920, all those old railway investments—an investment, for example in the Intercolonial was charged off against the gross debt in an endeavour to arrive at the net debt. Sir Henry Drayton, then Minister of Finance, changed that practice and no longer included the investment in the Intercolonial or the investment in canals.

Mr. WHITE: As an active asset?

Dr. CUDMORE: As an active asset. And since that, his procedure has been followed down to the present time.

Mr. HACKETT: That is not an answer, as I understood Mr. White's question. I understood him to ask if any portion of the debt of the Canadian National

Railways, which is guaranteed by the Dominion government, is included in the statement of debt of the government.

Dr. COATS: Yes.

Mr. HACKETT: I think the answer is no, in the \$2,375,000,000.

Mr. LAWSON: I think the answer is yes, so far as direct guarantees are concerned.

Mr. SANDERSON: Let us have a real answer.

Hon. Mr. EULER: Doctor Cudmore, is any part of the railway indebtedness, of the National railway I mean, included in that first item, net debt of Canada, \$2,375,000,000? Is that purely a federal account, having nothing to do with the railways at all, Doctor Cudmore? I would like to know.

Dr. CUDMORE: Subject to what I have already said, I would say no, the old railways' account being transferred to non-active assets.

Hon. Mr. EULER: Well, I am speaking of debts. Is that \$2,375,000,000 debt entirely on issues of federal bonds for federal purposes only, without having anything whatsoever to do with the National railways?

Dr. CUDMORE: Yes.

An Hon. MEMBER: No.

Mr. HACKETT: Except that some of that may have been used to construct railways.

Dr. CUDMORE: Yes, that is what I mean to say.

Hon. Mr. EULER: But it has been taken definitely into the consolidated debt of Canada.

Dr. CUDMORE: Yes.

Hon. Mr. EULER: Not in the way of railway securities at all.

Dr. CUDMORE: No.

Mr. GEARY: Advances to government railways would be included in it, because that is why the money was raised.

Mr. WHITE: I think the case in a nutshell is this: the public accounts show the public debt of this country, the net public debt, to be \$2,375,000,000. Then you turn to the report of the Canadian National Railway and you would find that there are bonds in the hands of the public, not in the Dominion Treasury, but in the hands of the public, to the extent of \$1,000,000,000, approximately. Now, what I want to ascertain is this, is the total liability of the Dominion government \$2,375,000,000, as appears by the public accounts, plus \$1,000,000,000 of bonds of the railways in the hands of the public? If so, then we know where we are, as to our public debt.

Mr. BOWMAN: Is it not a fact—

The CHAIRMAN: Order. Let us get an answer from Doctor Cudmore.

Dr. CUDMORE: The figures, as we have them here, are figures of the Finance Department. I have always thought it rather unfortunate that the—I think these have to be taken as final.

Mr. HARRIS: Exclusive of the amount of the railway.

Mr. GEARY: With regard to the question asked by Mr. White, turning to page 4, liabilities are in the list amounting to \$2,831,000,000. Amongst those is \$2,502,000,000 of funded debt. Those are all the bonds, so called, of the Dominion that are outstanding; is that true?

Dr. CUDMORE: Yes.

Mr. GEARY: Yes, of the Dominion. Some of that money was raised, perhaps not to the extent of the whole \$1,000,000,000 that Mr. White speaks of, but some of it was raised for the purpose of financing the railways, was it not?

Dr. CUDMORE: Yes.

Mr. GEARY: So it is quite possible, if the funds raised to finance \$1,000,000,000 to the railways happened to be long term bonds still outstanding, they would all be in that \$2,502,000,000, would they not?

Dr. CUDMORE: No, sir, I think not.

Mr. GEARY: Why not?

Dr. CUDMORE: The \$2,502,000,000 of funded debt, the details of which are given in Table "3", were raised directly for direct Dominion purposes.

Mr. GEARY: Certainly.

Dr. CUDMORE: And, in addition to that, there are the guarantees.

Mr. GEARY: Oh, no, I think you are mistaken. The Dominion advanced certain moneys for the building of the Intercolonial Railway.

Mr. HACKETT: Something of that was raised by taxes.

Mr. GEARY: No, there were great sums of money advanced to the different railways.

Mr. STANLEY: The Hudson Bay Railway.

Mr. GEARY: I don't know what they are. It amounted to \$1,000,000,000. That money was raised by debentures, was it not, of the Dominion of Canada?

Mr. WHITE: No.

Mr. HACKETT: No.

Dr. CUDMORE: Yes.

Mr. WHITE: In the \$1,000,000,000 that I spoke of, they were direct issues of the Canadian National Railways.

Mr. GEARY: I am not referring to those. It just happens the bulletin is the same, as a matter of fact. Is that not true?

Dr. CUDMORE: It is quite true, I think that some of the different loans that went into the building of the Intercolonial are still included in the funded debt of Canada.

Mr. GEARY: Yes, that is so. If you will look in the non-active assets (railway accounts old), \$88,000,000, that money was raised on debentures of the Dominion of Canada, was it not?

Dr. CUDMORE: Yes, sir.

Mr. HACKETT: Some of it, and some by taxation.

Mr. GEARY: Well, now, I don't know—maybe some part of it.

Dr. CUDMORE: Our pre-war debt, I remember, on March 31, 1914, the total debt, the net debt of Canada, was about \$336,000,000, and practically the whole debt as it existed at that time, and more or less remains to the present, had been invested either in the government railways, the Intercolonial, or the National Transcontinental, or in our canal systems. The assets represented by that are now transferred, or were, in 1920, transferred to non-active assets; but the obligations, of course, remain.

Mr. GEARY: The obligations are two and a half thousand million dollars, are they not?

Dr. CUDMORE: Yes.

Dr. McGIBBON: I am afraid I am getting more muddled all the time. We had a debt, at the time of the war, of \$330,000,000. I understand that we raised about \$1,700,000,000 in the war.

Hon. Mr. EULER: Hear, hear.

Dr. McGIBBON: That makes it \$2,000,000,000. It would not be possible to include another million in the railway, either to the debt or what we had advanced, in the \$2,300,000,00. Now, a lot of these railways were paid for out of revenue. I think the Transcontinental was paid for out of revenue.

Mr. GEARY: What do you mean by revenue?

Dr. MCGIBBON: I don't think there were many bonds put on the Winnipeg to Moncton; it cost \$170,000,000. I do not think very much was in bonds. The country has \$406,000,000 invested in railways. Now, does that \$406,000,000 include the railways previously owned by the country, like the Intercolonial, the Winnipeg to Moncton? There must be overlapping in these figures.

Mr. HACKETT: \$606,000,000 that were never paid; that is only the interest charge.

Dr. MCGIBBON: That was money advanced. Besides that the \$406,000,000, as I understood it, was money that the government put into railways they built. The government built the Winnipeg to Moncton, not by private contract. In addition to that, the government loaned the country six hundred and three, or four, or five, million, and on that there is three or four million interest, which brings it up to a total of \$1,300,000,000.

Mr. WHITE: Mr. Chairman, to bring this little discussion to a conclusion, I hope, I would ask through you, that Doctor Coats prepare a statement for the benefit of the Committee, showing the total liability of the Dominion of Canada, gross liability. Never mind the assets. We will look after the assets. The gross liability of the Dominion of Canada, including that arising out of the Canadian National Railways. Then we will know where we are as to debt.

Mr. HACKETT: That is direct and indirect.

Mr. WHITE: Gross liability of the Dominion of Canada, at a recent date including those arising out of the Canadian National Railway. I have never been able to ascertain that. These gentlemen don't know it now, apparently.

Mr. WHITE: The guarantee upon a security issued by the Canadian National Railway, is a direct liability of the Dominion of Canada. We can't get away from that.

Mr. LAWSON: No unfortunately, if my friend Mr. White will permit me, to ask Doctor Coats to prepare what he is asking for, will not get him what he wants. When he says he wants the gross liabilities of Canada, and Doctor Coats prepares him that statement, Doctor Coats will not include, in that, contingent liabilities. There is no liability of Canada on bonds guaranteed in the Canadian National Railways.

Mr. WHITE: Who owns the Canadian National Railway?

Mr. LAWSON: Just a minute, I was speaking from a legal standpoint.

Mr. WHITE: I am speaking from a business standpoint.

Mr. LAWSON: And obviously that is what Doctor Coats will have to follow. There is no liability upon Canada in respect of the guaranteed bonds of the Canadian National Railway, until there is default in respect of those bonds as by the Canadian National Railway. When there is a default by the Canadian National Railway, then it becomes a liability of Canada. Now, just a minute—

The CHAIRMAN: Order.

Mr. LAWSON: If those doctors and soforth would not be so far ahead of lawyers in trying to express legal opinion, we would get on better. To the extent only that there is default does it become a direct liability of Canada. Now, I think what my good friend Mr. White wants Doctor Coats to prepare is a statement of the gross liabilities of the Dominion of Canada, that will show direct liability, plus a statement of Canada's contingent liabilities. I think if he gets those two things, less whatever are active assets—less a valuation on the assets of the Canadian National Railway,—he will get the net liability of Canada, and that is the only way he will get it.

Dr. COATS: I think that is what we were trying to do in this statement. If you turn to Table "4", you will find there a categorical statement of the

guaranteed debts. The figure of \$2,375,000,000 is of course, all told, for whatever purpose incurred.

Mr. GEARY: Are you referring to table 4?

Dr. COATS: Page 7, (Appendix "C").

Mr. BOWMAN: In answer to Mr. White's question, I think the figures are quite clear, as they are particularly set out in this statement. You take the figures submitted to the House by the Minister of Railways and Canals, and then take the non-active assets as shown in page 4, and I think we have just what Mr. White is asking. On page 4 the debt is shown as \$2,375,000,000, in which is included direct advances to the railways amounting to something over a billion. On top of that \$2,375,000,000 there is another \$1,280,000,000 which the Dominion of Canada has guaranteed on bonds and the debentures of the railways, the Canadian National Railways, which are held by the public.

Mr. BAKER: Where do you get that \$1,280,000,000?

Mr. BOWMAN: It is shown in this statement.

Dr. MCGIBBON: It can't be in this. Page 4 only shows \$753,000,000.

Mr. BOWMAN: Page 4 shows in detail, shows for Public Works, \$441,000,000.

Mr. LAWSON: Look at the note at the bottom of page 4.

Mr. BOWMAN: There is \$441,933,000. A little further down it shows railway account, non-active, \$614,000,000. Now, on top of that \$2,375,000,000 as I understand it, there is another \$1,280,000,000 in various bonds and debentures held by the public, for which the government has given its guarantee. That is the situation, as I understand it.

Mr. LAWSON: May I just say a word there, and I think I can satisfy Mr. Bowman. That point is the government has not guaranteed another \$1,200,000,000.

Mr. WHITE: Yes, \$1,280,000,000. You are wrong.

Mr. LAWSON: I may be wrong in my figures, but I am accepting those of the Bureau of Statistics for the moment, and I am inclined to think that they are right—they are pretty accurate, those fellows. If you will look at the note at the bottom of page 4, that is Table "2", the Bureau sets out there that in addition to the above figures, (that is, in addition to the \$2,375,000,000) the Dominion of Canada, you will notice they say, is responsible for, (that is their contingent guarantee) another \$753,000,000. Now, that is the guaranteed bonded indebtedness of the Canadian National Railways. I am just taking the note at the bottom of page 4. In addition to that \$753,000,000, there are bonds of the Canadian National Railway outstanding which the Bureau of Statistics have not included, because there is no liability of the Dominion on them, either direct or indirect, or contingent.

Dr. MCGIBBON: But we own the road.

Mr. LAWSON: But because the Dominion of Canada must at some time preserve the assets of the Canadian National Railway, at some time it must pay those bonds. Therefore there is a liability, if you want to assume it, that should be included in order to get a picture of Canada's ultimate liability, if she wishes to keep the Canadian National Railways.

Mr. BOWMAN: I don't want to enter into an argument with Mr. Lawson. What Mr. Lawson has said just carries out my idea exactly, that besides the \$753,000,000 that is shown at the bottom of page 4, there is another \$500,000,000.

Mr. LAWSON: Right.

Mr. BOWMAN: The total amount is what I have said, \$1,280 odd million dollars of various bonds and debentures held by the public and which we, as a matter of fact, must pay, if we are to continue to carry the Canadian National Railways.

Mr. LAWSON: Right.

Mr. BOWMAN: I agree with that. But the answer that I was trying to get to Mr. White's inquiry was that on top of the \$2,375,000,000 that are shown on page 4, there is another \$1,280,000,000 of bonds and debentures held by the public, part of which seven hundred odd million we are directly liable for and the other part of which is held by the public upon which we are not directly liable.

Dr. CUDMORE: If you will excuse me, that note on the bottom of page 4 is taken from the public accounts, but they do not refer, in that note at least, to the securities whose interest only is guaranteed. The total guaranteed debt of Canada is given at Table "I" on page 3, principal and interest guaranteed, \$874,000,000. That includes some \$30,000,000 mainly of harbour commission loans, and \$216,000,000 of which interest only is guaranteed, mainly Grand Trunk securities.

Mr. MOORE: Perpetual Stock.

Dr. CUDMORE: Making almost exactly \$1,000,000,000.

Mr. GEARY: Guaranteed as to principal—

Dr. CUDMORE: No.

Mr. GEARY: I mean principal of the loan.

Dr. CUDMORE: Yes, total guaranteee, 784 and 216.

Mr. HACKETT: Interest is guaranteed in perpetuity.

Mr. MOORE: Might just as well guarantee the principal.

Mr. GEARY: Have you any idea how much there is outstanding, financed by the railways, the millions upon which the government has given no guarantee?

Mr. HACKETT: About \$300,000,000.

Mr. GEARY: Have you any idea, Dr. Coats? Is that shown in your statement?

Dr. CUDMORE: No, that is not shown in the statement. It will be taken care of in our later statement *re* corporation bonds.

Mr. GEARY: If you are bringing that statement to Mr. White I would like to have it shown.

Mr. WHITE: I have it now, the debt of Canada is composed of these four items, first as shown on page 3, net debt of \$2,375,000,000, plus a guaranteed debt in connection with railway securities guaranteed as to principal and interest, \$784,000,000; and then thirdly, guaranteed as to interest only, \$216,000,000. There is no sense, of course, in our trying to fool ourselves by stating that we have no responsibility for guaranteeing the bonds of the railway, when we own that railway.

Dr. McGIBBON: Hear, hear.

Mr. WHITE: The fourth item, and the sum of the four, represents the total debt of Canada. The fourth item is bonds issued by one or other railway company, which do not bear the guarantee of Canada, either as to principal or interest, but for which the people of Canada may be liable.

Mr. IRVINE: Mr. Chairman, for the purposes of this enquiry, if we have a statement also, along with this, of all bond indebtedness in Canada, and all private corporations, would not that include any bonds that are owing and for which the government is not directly responsible?

The CHAIRMAN: Yes.

Hon. Mr. EULER: Mr. Chairman, I am neither a lawyer nor a doctor, but I should like to ask Dr. Coats, or Dr. Cudmore, whether this would really sum up the total debt of the Dominion, including the debt that we have on the railways: first the direct debt of \$2,375,846,172, the first item on the sheet, and then

the other two items, which, together, amount to about a billion dollars, plus the debt which is owed by the National Railways, but is not guaranteed, either as to principal or interest by the government of Canada, and which I think, amounts to \$300,000,000 and which we may as well say is also a debt of Canada. This I think would make a total sum of about thirty-six or thirty-seven hundred millions of dollars. Would not that about represent what we owe on account of the national debt, plus the debt we owe on the National Railways; is that correct

Some hon. MEMBERS: Yes.

Dr. COATS: Of course, the Department of Finance never admits liability for the \$300,000,000 you mentioned.

Mr. LAWSON: It cannot, because no auditor will allow it.

Hon. Mr. EULER: They do not pay, either. As a matter of fact, I think Mr. Chairman, if I may say so, I do not think the government does intend to pay interest on some bonds which were not guaranteed by the government. I have in mind just one small road, the Toronto and Suburban Road, which I think issued about two billion dollars worth of bonds. They were not guaranteed by the government at all. The interest has fallen due, and is in default, and it looks as if the government is not going to recognize it. For my part, which is just an expression of opinion for what it is worth, it seems to me a subsidiary road, such as the Toronto Suburban—and there may be others—which has been acquired by the Canadian National Railways, is certainly a liability so far as the government of Canada is concerned.

Mr. POWER: They do not look upon it as such.

Hon. Mr. EULER: They do not, but I think they should.

Mr. HACKETT: This \$300,000,000 was used for equipment.

Mr. GEARY: The road has been abandoned.

Mr. POWER: In looking over those liabilities, I find, "Interest, guaranteed securities, guaranteed as to principal and interest for various harbour commissions."

The CHAIRMAN: On which page is that?

Mr. POWER: On page 8, part of table four (Appendix "C"). I wonder what the situation would be in a case like this: the Quebec Harbour Commission owes to the public something like half a million dollars, which is a very small amount compared with what it owes to the Federal Government. But it is a first mortgage, and if the public ever wanted to exercise that mortgage, I suppose the government of Canada would be liable in order to protect their equity in the property, and that situation must exist in a great many other cases. I think it is bound to know that, because there is a first mortgage on all the properties of the Quebec Harbour Commission. The Quebec Harbour Commission owes this government something like \$20,000,000 roughly. There is certainly an indirect liability on the government to protect its equity by paying up that \$500,000, which is a first mortgage. I do not see anything of that here; and the same situation may exist in Montreal or in Vancouver.

Dr. CUDMORE: I think sir, you will find that all those items are taken care of in the non-active assets of the Dominion, on page four.

Mr. POWER: Not a liability to the Crown at all? It is a liability to the public. The bonds are in the hands of the insurance companies. The bonds were issued by the Harbour Commission a number of years ago before the Federal government started backing those national ports, and, insofar as the government is concerned; I do not suppose they know about it, except they may have to pay interest.

Mr. HACKETT: Your point is, if they stop paying interest.

Mr. POWER: If they stop paying interest, this is as much a liability as some of the other liabilities that have been mentioned.

Mr. LAWSON: If I appreciate it, the way it is dealt with, insofar as the Canadian National is concerned, is they put it under corporate debts.

Mr. HACKETT: It is not mentioned at all.

Mr. POWER: Corporate debts, the same as any other.

Mr. LAWSON: Under corporate debts.

Mr. POWER: It is not even a contingent liability.

Mr. PERLEY (Qu'Appelle): It is a matter of policy.

Dr. COATS: I should just like to say this: it is simply a matter of presenting the data. We had, in a subsequent statement, intended to include all such bonds as the \$300,000,000 of the Canadian National Railways as an element in the private and corporation debt.

Mr. GEARY: We cannot hear both Dr. Coats and the other members of the committee at the same time.

The CHAIRMAN: I am going to ask Dr. Coats to make that statement again. I do wish some members would preserve order, and not carry on private discussion.

Dr. COATS: It is simply a matter of definition. We did not go over the whole field. We had regarded bonds, such as have been mentioned here, pertaining to the Canadian National Railways and other bonds, as private debts. We had included debts of that kind, such as corporate debts, under the general heading of private debts. Whether it should be regarded as public debt is a matter of opinion, I suppose, and of law.

Mr. IRVINE: So far as the people are concerned, they have to pay, if it is ever paid, so what is the difference to us, in this enquiry?

Mr. POWER: Going back to table No. 2, in the non-active assets there are three items as follows: Public works, railways, \$441,933,589; Railway accounts (old), \$88,398,829; Railway accounts (loans non-active) \$614,406,239. I should like to get some information on those. What is meant by each item?

Dr. CUDMORE: The details are in the public accounts, and if you will consult the total of the balance sheet in the public accounts you will find references there to schedule so and so, where these items are explained in detail. But I might say, I think the first item "public accounts, railways," is mainly the cost of the Intercolonial and the National Transcontinental, and the other old government railways.

Mr. POWER: What is "railway accounts (old)"?

Dr. CUDMORE: I am afraid I cannot explain that.

Hon. Mr. MACKENZIE: Mr. Bennett's speech on the budget of 1931 makes it quite clear. It is as follows: "First, there are loans and advances made for various enterprises which are not presently realizable, yield no direct return to the treasury, and in the presentation of the accounts are treated as losses. These total \$673,000,000 the chief of which are \$614,000,000 to the Canadian National Railways, \$15,500,000 to the Canadian National Steamships, \$24,400,000 to the Quebec Harbour Commission and \$16,600,000 Soldier Land settlement loans.

"The second division is comprised of the aggregate of capital expenditures made on canals, railways, public buildings and harbour and river improvements, which total \$927,300,000. Another item of \$88,000,000 is shown as 'railway accounts (old)' which refers to railway capital expenditures made in the early history of the country, the fruits of which were by registration, transferred to certain railway companies, hon. members will recall the transaction with respect to them during the Grand Trunk arbitration."

Mr. BOWMAN: There is an item on page 4 which reads as follows "Advances to foreign governments;" what does that mean?

Dr. CUDMORE: Those are the balances of the loans made to Greece and Roumania shortly after the war.

Mr. BOWMAN: For what purpose?

Hon. Mr. EULER: Do you regard those as active assets?

Mr. HACKETT: Have they made payments on account?

Dr. CUDMORE: Greece has.

Hon. Mr. EULER: There have been none from Roumania. There are still about \$18,000,000 due, and I do not think we shall ever get a cent.

Dr. CUDMORE: I believe interest on the Roumanian debt is being paid.

Hon. Mr. EULER: By Roumania?

Mr. IRVINE: I do not think we are interested in this, Mr. Chairman.

Hon. Mr. EULER: We want to know what the active assets are, because it affects the net debt. If those assets are no good, our net liabilities are much greater.

Mr. IRVINE: The net liability would have to be total liability of all the Canadian people.

Mr. SPENCER: Mr. Chairman, on page four, under the heading of liabilities of the Dominion Government, I find the following: "Province accounts, \$9,623,-817." May I ask what that is?

Mr. HACKETT: That is seed grain furnished to the West.

Mr. SPENCER: How could it be a liability to the Dominion government?

Mr. HACKETT: They hope to get it back some day.

Dr. CUDMORE: I am afraid I cannot give you that, but I can get it for you.

Mr. SPENCER: It could not possibly be seed grain, because it is government owned.

Mr. MORAND: It must be the accrued amount due on subsidies due to the provinces.

Mr. POWER: Do you know the figure of the soldier land settlement loans?

Dr. CUDMORE: No.

Mr. POWER: You do not know how much the original amount advanced to the Soldier Settlement Board was, and how much has been written off in recent years.

Dr. CUDMORE: I might say the details of those are in the public accounts, but I believe the original loans were in the neighbourhood of between eighty and ninety millions of dollars, and the Land Settlement Board is really the authority on all the payments that have been made. This professes only to give the amount due as an active asset on March 31, 1932.

Hon. Mr. EULER: On which interest is being paid. I should like to ask a question on another item, advances to provinces and banks, etc., \$173,183,733, which is a pretty large sum. Can you divide that and tell me how much of that was owing by the provinces?

Dr. CUDMORE: The details are in the public accounts, gentlemen, and if we can get a copy of the public accounts, I can tell you.

Hon. Mr. EULER: I thought you could tell me approximately how much is owing to the provinces, and so forth. If you cannot do that, it is all right.

Dr. CUDMORE: I cannot at the moment.

Hon. Mr. EULER: I do not expect you to remember all the details.

Mr. GEARY: For the purposes of the committee we do not want all this information. We want to get at debts. There are a lot of things I should like to know, but I do not think this is the proper place for them.

The CHAIRMAN: Are there any other questions in regard to debts, because that is what we are really after. I would suggest that at the next meeting, on Thursday, we should discuss the question of private debts, and get some information along that line. If there are no other questions on public debt this morning, I would suggest that we might adjourn—

Mr. IRVINE: I move that.

The CHAIRMAN: Until Thursday.

Mr. STANLEY: In regard to the memorandum, there are items further back that should be explained. For instance, Dr. Coats, take page 11. On page 11, we come to the indirect liability of the provincial governments. There is considerable data in regard to debts of the various provinces, which affects the standing of the provinces concerned, and therefore, the Dominion as a whole, financially speaking, as to just what that debt means, whether there is any of it likely to be repaid, and how much of it has already been actually written off, and how much of it is an actual asset to the provinces in the way of utility and so on. There is a lot of information that really has a value from the standpoint of finding out our condition, financially speaking.

Mr. MCGIBBON: Mr. Chairman, may we expect an answer to Mr. Euler's question about the finances of the province, etc?

The CHAIRMAN: If it is in the public accounts.

Dr. CUDMORE: On page 8 of the public accounts, for 1932, the advances to provinces for housing loans given as \$10,521,187.72, and the advances to the provinces for unemployment relief are given as \$22,634,017.44; loans to banks are given as \$32,000,000; loans to harbour commissions, \$100,812,062.66, and the Canadian Farm Loan board a total of \$7,216,465, the total being \$173,183,733, which we have on table No. 2.

Hon. Mr. EULER: When you gave that item of loans to provinces, did you mean that that was up to date? Or only according to the public accounts? That would not be nearly up to date, would it?

Dr. CUDMORE: It is the last information which we have available from the Finance Department.

Hon. Mr. EULER: There have been very heavy advances made to the provinces since this was prepared.

Mr. HACKETT: Since last year.

Dr. CUDMORE: This only goes to the end of the last fiscal year reported, I suppose?

Mr. MORAND: Would it be possible to obtain the total amount of interest payable, per year, on our direct indebtedness?

Dr. CUDMORE: Yes. But I have not the figure with me at the moment. I would be glad to send it to you.

The committee adjourned at 12.30, to meet again on Thursday, March 16th, at 11 o'clock, a.m.

APPENDIX "A"

MEMORANDUM

Précis of remarks of Mr. Speakman, M.P., before the Committee on Banking and Commerce, in respect of the inquiry into the subject of

DEBT AND INTEREST

The first essential would be to obtain a fairly accurate picture of the actual situation in this country. Many of the statements made by different speakers upon this subject have varied so widely as to the real total of our liabilities, public and private, and as to the nature and total amount of the annual carrying charges upon these liabilities, both actual, and in relation to the National Income, as to indicate that some real knowledge of the actual facts is desirable and necessary. In addition, and if action of some legislative character is to be suggested, a definite knowledge will be necessary of the statutory authority resting in the Federal Parliament, and possibly, that of the Provincial Legislatures as well.

While it is not suggested that these Memoranda are in any way complete or final, it is suggested that the points which are enumerated might well be given some consideration, in an effort to secure a fairly accurate picture of the present situation.

1. Amount of Debt, under various classifications, Public and Private, and the total of the whole.
2. Rates of Interest charged, under different headings, as: (a) Banks Loans; (b) Farm Mortgages; (c) Mortgages on Town and City Property; (d) Bonds, Federal, Provincial, Municipal; Railway and other Corporations, etc.
3. Other charges, in various classes, as: (a) Interest on Capital; (b) Renewal Charges, etc. Thus giving actual total carrying costs of Loans, under different headings.
4. Length of time for which Loans made, and the purposes, in a general way, for which money was borrowed. Also conditions, such as renewals, Compounding of Interest, and, in a general way, type and relative value of Security required.
5. Costs of money to Loaning Bodies, Banks, Mortgage Cos., etc., whether by way of Deposits, Borrowings, Invested Capital, or otherwise. Rates of Dividends, Profits, etc., earned. In case of Banks, relation of actual deposits of money to amounts loaned, showing reserves, non-interest earning.
6. Percentage of due payments made, Present and term of years, by classes, and on Interest or Capital account. Losses incurred, same. Percentage of present debt, total and by classes, represented by original loanings, and by accumulated, unpaid Interest Charges, etc.
7. General Classification of those entitled to repayment, as to average wealth level. This to ascertain percentage of Interest, etc., likely to go into general stream of Purchasing Power, and to seek reinvestment. Secure some idea as to amounts hoarded, and not seeking either purchase of commodities, etc., or reinvestment.
8. Such information as possible, in respect of cost of Premiums paid, on account of New York Exchange.

9. Relative conditions in other countries, as to costs, etc., on classes of loans as above. U.S.A., Great Britain.

10. National Income, by classes, and totals, present and term years. This, in relation to Debt and Interest totals, to indicate capacity of people to meet obligations. Also, average interest returns upon Capital invested in Agriculture and other forms of Industry and Business; Indicate actual earning power of money borrowed.

As stated above, there will be many other points which will occur to the Committee, but these should assist in ascertaining true picture of situation as a whole.

Some suggested avenues of Information: Witnesses—

It is obvious that there should be little difficulty in securing competent witnesses to represent the various Loaning Bodies, but competent witnesses to represent the Debtor side of the question will be less easily obtained. Following is a partial list of sources of information.

1. Representatives of Banks, Mortgage Cos., etc. Also Organizations of Business and Industry, as Manufacturers Ass., Wholesale and Retail Merchants Ass. These might give information in respect of both sides of subject. Finance Departments, Federal and Provincial, respect of Bonds, etc. Federal Govt. also Creditors, as S.S.B. (in effect a Mortgage Co.), Federal Farm Loan Board; Bankruptcy Department. Debt Adjustment Bodies in Prairie Provinces. Similar Bodies, if any, in other Provinces. Agricultural and Business Organizations might hold views of value. Understand in Quebec, certain Agricultural Credit and Banking Ass. (Caisses populaires). As to conditions in other countries, perhaps Department Finance, as regards U.S.A., Office of High Commissioner, respect Great Britain. These are mere suggestions.

Has been stated that no credit available in smaller centres, but confined to larger centres of population. If not outside powers of Committee, might make inquiry.

As to Statutory authority of Federal Parliament, Department of Justice. In case question of actual Debt Reduction raised, should ascertain also powers of Provincial Bodies.

The above information, if secured, should assist the Committee to obtain a fairly accurate picture of the situation, something unavailable at the moment. As stated, such information essential prior to any suggestions as to any possible solution of the Problem. The liabilities fall into so many different classes, that only a few can be suggested here. Others will be familiar to Committee. Bonds, Federal, Provincial and Municipal. Also Railway and other Corporations, Mortgages, of all kinds, Farm and Urban. Other Loaning Bodies, Bank Loans, Commercial Credits, including individual debts as to Retail Stores, Implement Dealers. Coal & Lumber Cos., etc. All these varied types and kinds go to make up Grand Total.

APPENDIX "B"

MEMORANDUM—DOMINION BUREAU OF STATISTICS FOR THE COMMITTEE ON BANKING AND COMMERCE

Ten points have been submitted to the undersigned as coming within the purview of the Committee, with the request for a suggestion in each case as to what data are available, or how such data could most readily be obtained.

The points in question are set out hereunder, with a brief note on each:—

1. Amount of Debt, under various classifications, Public and Private, and the total of the whole.

Answer: The amount of *public* debt (Dominion, Provincial and Municipal) is available in fairly complete form, a summary statement of totals being attached as Appendix I to this memo.

With regard to *private* debt, statistics are available relating to bank loans; the operations of loan and trust companies; farm mortgages; the bonded indebtedness of corporations; and total bonded indebtedness. There is considerable over-lapping in these statistics, and some important gaps are left in them considered as a whole. The Bureau of Statistics could assemble the available data, and submit a memo as to their interpretation.

2. Rates of Interest charged, under different headings, as: (a) Bank Loans; (b) Farm Mortgages; (c) Mortgages on Town and City Property; (d) Bonds, Federal, Provincial, Municipal, Railway and other Corporations, etc.

Answer: No comprehensive statistics exist. The results of an investigation covering this field from 1900-1914 appear in Part I, Section 6, of Volume II of the "Report of the Board of Enquiry into the Cost of Living," published in 1915. An investigation on similar lines, covering the past few years would not be a large undertaking, but would require a few weeks' time.

3. Other charges, in various classes, as: (a) Inspection Fees; (b) Renewal Charges, etc. Thus giving actual total carrying costs of Loans, under different headings.

Answer: No statistics exist, but it would not be difficult to obtain representative information by questionnaire.

4. Length of time for which Loans made, and the purposes, in a general way, for which money was borrowed. Also conditions, such as renewals, Compounding of Interest, and, in a general way, type and relative value of Security required.

Answer: Short-term loans (3-6 months), middle-term loans (12-24 months), and long-term loans are found in different fields of business, the mortgage being usually for five years. No complete classification of loans according to length of time exists, but the great bulk of banking accommodation is in the first category.

As to the *purpose* of loans, insurance and loan and trust companies, show the amounts of their loans on real estate and on collaterals, respectively, but classification by purpose of loans is not generally made. A suggestion strongly urged by the McMillan Commission in Great Britain recently, is applicable to Canada, namely, that the banks be required to show the composition of their

loans (i.e., industries to which made) periodically. The Canadian Bank of Commerce prints an analysis of this character from time to time in their "Monthly Commercial Letter," under 11 headings as follows:—

1. Governments and Municipalities.
2. Public utilities, insurance companies, trust companies, automobile finance companies, etc.
3. Farmers and ranchers.
4. Grain, flour, meats, etc.
5. Manufacturers: Agricultural implements, iron and steel, mining, automobiles, textiles, wearing apparel, etc.
6. General stores and sundry wholesalers and retailers.
7. Lumbering industry, including pulp and paper.
8. Contractors, builders, etc.
9. Call loans, loans on securities to security houses, underwriters, etc.
10. Sundry dealers and traders, and individual customers of the Bank throughout the Dominion.
11. Trade paper discounted, sterling and foreign bills of exchange purchased.

The classification proposed by the McMillan Commission is as follows:—

1. Loans to agriculturists.
2. Loans to lumbermen.
3. Loans to manufacturers.
4. Loans to transportation and communication agencies.
5. Loans to wholesale and retail traders.
6. Loans to financial concerns.
7. Loans to professional and personal service concerns.
8. Other loans.

The banks might be able to make an analysis of this kind for the Committee, but it would be desirable in advance to give careful consideration to the form of classification.

A summary classification of bonded indebtedness by classes of corporations is available.

A conspectus of loaning practice might be obtained from witnesses representing the banks, insurance and loan and trust companies.

5. Costs of money to Loaning Bodies, Banks, Mortgage Companies, etc., whether by way of Deposits, Borrowings, Invested Capital, or otherwise. Rates of Dividends, Profits, etc., earned. In case of Banks, relation of actual deposits of money, to amounts loaned, showing reserves, non-interest earning.

Answer: The interest rates on bank savings accounts is 3 per cent, to which must be added costs of administration, book-keeping, etc. The rates payable on debentures, certificates, etc., could be obtained by questionnaire to loan and trust companies.

An annual record of dividend rates, profits, etc., of the banks is kept in the Bureau of Statistics.

An analysis of the bank statement would throw considerable light on the final sentence above.

6. Percentage of due payments made, present and term of years, by classes, and on Interest or Capital account. Losses incurred, same. Percentage of present debt, total and by classes, represented by original loanings, and by accumulated unpaid Interest, Charges, etc.

Answer: A questionnaire addressed to the Banks and loan trust companies might throw light on the situation, but no absolutely comprehensive figures are possible. Items like arrears of taxes are shown by certain provinces; the return made by the banks monthly under the heading of "Non-

current Loans" represent over-due debts; Insurance companies report as to over-due loans on policies, unpaid interest, deferred premiums, etc.

7. General Classification of those entitled to repayment, as to average wealth level. This to ascertain percentage of Interest, etc., likely to go into general stream of Purchasing Power, and to seek re-investment. Secure some idea as to amounts hoarded, and not seeking either purchase of commodities, etc., or re-investment.

Answer: Data of this nature could not be rendered available short of a complete census of wealth as held by individuals. It will be appreciated that even as regards Dominion bonds, the Government is unaware of the financial standing of the holder, or, in cases, as to who the holder is. The Income Tax returns do not show the complete financial position of the individual, and in any case they cover only 140,000 individuals, though they might show how far the incomes of those individuals are "earned" and "unearned."

It is not thought that hoarding by individuals in the ordinary acceptance of the term is prevalent in Canada, where the difference in security as between a bank deposit and a bank note is not commonly regarded as very material. The extent to which banks are making loans of different kinds in relation to funds available, might be illustrated to some extent from the bank statement.

8. Such information as possible, in respect of cost of Premiums paid, on account of New York Exchange.

Answer: A daily record of exchange rates is maintained in the Dominion Bureau of Statistics, and the premiums paid on new gold are available from the Royal Mint.

In this connection, it might be added that the Bureau of Statistics has an estimate of the interest payments made, in Canada and outside, on the basis of New York funds, as well as of the various items (visible and invisible) of the trade balance which show the total amounts payable on balance between Canada and the United States.

9. Relative conditions in other countries, as to costs, etc., on classes of loans as above. U.S.A., Great Britain.

Answer: A considerable amount of material is available, but before an attempt is made to assemble data of this kind (which might run into a very large undertaking) it would be well to set forth the question in specific terms.

10. National Income, by classes, and totals, present and term years. This, in relation to Debt and Interest totals, to indicate capacity of people to meet obligations. Also, average interest returns upon Capital invested in Agriculture and other forms Industry and Business, indicate actual earning power of money borrowed.

Answer: There are no comprehensive statistics of the national income by classes, etc., but the Dominion Bureau of Statistics issues an annual "Survey of Production" in Canada, which brings together in comparative form the value of the products of approximately two-thirds of the gainfully employed people of the country, that is, of those engaged in the various kinds of "production" defined according to the usual acceptance of the term, as including agriculture, forestry, fisheries, trapping, mining, power, manufactures, construction, etc., etc. The following additional statement appears in the latest issue of this report:—

"The remaining 35 per cent of the gainfully employed must also be considered to be producers in the larger sense of the word, being engaged in such activities as transportation, trade, administration, the profes-

sions, domestic and personal service. Since the values given in the preceding paragraph were produced by only 65 per cent or thirteen-twentieths of the employed population, we may add seven-thirteenths to the above totals to obtain a rough estimate of the value in dollars of the total productive activity of all the gainfully employed people of Canada, according to the economists's definition of "production," which approximates to the concept of national income. According to this broader interpretation, production in 1930 would represent created values of \$4,949,000,000, as compared with \$6,072,000,000 in 1929 and \$6,342,000,000 for 1928."

The Bureau of Statistics also issues a periodical report on the National Wealth of Canada, prepared on the inventory method, which shows capital values under some 23 headings.

The relation of "property" income to "service" income might be estimated for Canada on the basis of similar estimates (notably that of W. I. King) for the United States.

ADDENDUM

It may be added on the point of the general causes of the financial stringency, that the Bureau of Statistics has a great mass of data bearing on the decline in world prices (which since 1929 has brought wholesale prices to a pre-war level from a point over 50 per cent higher, with disastrous effects on capital values amongst producers) also on world currencies, gold reserves and supply, etc., etc.

Respectfully submitted,

R. H. COATS,
Dominion Statistician.

DOMINION BUREAU OF STATISTICS, OTTAWA,
March 1, 1933.

APPENDIX I

PUBLIC DEBT OF CANADA

Net debt of Canada, March 31, 1932	\$2,375,846,172
Guaranteed debt of Canada, March 31, 1932—	
Principal and interest guaranteed	784,315,264
Interest only guaranteed	216,207,142
Gross direct liabilities of Provinces, fiscal years ended in 1932	1,363,382,464
Indirect liabilities of Provinces, fiscal years ended in 1932	215,977,011
Grand total direct liabilities of all Canadian Municipalities, Dec. 31, 1931, at least	1,584,000,000

APPENDIX "C"

CANADA
DOMINION BUREAU OF STATISTICS

THE PUBLIC DEBT OF CANADA
DOMINION, PROVINCIAL AND
MUNICIPAL IN 1932

MEMORANDUM
PREPARED FOR THE BANKING AND COMMERCE COMMITTEE
OF THE HOUSE OF COMMONS

OTTAWA, 1933

(Page 1 of Manuscript)

THE PUBLIC DEBT OF CANADA IN 1932

Statistics of the aggregate public debt of Canada, its provinces and municipalities are given in as complete form as possible for the latest available date in the following tables. Certain explanations regarding these tables are therefore in order.

Net Debt of Canada.—The first item in the summary Table 1 is the net debt of Canada, which is the gross debt of Canada less the active assets which are largely either cash assets or are advances to provinces that are shown in the Public Accounts of those provinces as liabilities and therefore are properly charged against the gross debt of the Dominion to arrive at the net debt. Further details indicating how the net debt is arrived at are given in the balance sheet of Canada as at March 31, 1932, reproduced as Table 2.

Funded Debt of Canada.—The funded debt of Canada is rather larger than the net debt because the active assets are not deducted from it. In Table 3 will be found statistics of the funded debt of the Dominion as it existed on March 31, 1932, together with the countries in which the principal and interest of the obligations is payable. This is necessary because principal and interest obligations falling due in New York have at the present time to be paid off plus a premium arising out of the varying discount on Canadian funds. On the other hand, obligations falling due in London can be paid at a discount because of the depreciation of the pound sterling as compared with the Canadian dollar.

Guaranteed Debt of the Dominion.—Details of the guaranteed debt of the Dominion, showing where principal and interest is payable, are given in Table 4, in which it will be noted that certain interest rates run as high as from 6 to 7 per cent so that refunding at lower rates of interest should be possible when existing contracts expire. It should also be noted that \$216,000,000 of these obligations is guaranteed as to interest only. In other words, the Government can never be called upon to pay off the principal sum.

Debts of Provincial Governments.—The debts of provincial governments as at the end of their respective fiscal years ended in 1932 are shown in Table 5, the figures being subject to revision. The main item in these obligations is, of course, the bonded debt, the aggregate of which was \$1,148,451,597, while in addition there were treasury bills amounting to \$103,707,602. Apart from these two items were bank loans, savings deposits, etc., which brought the grand total of the direct liabilities of the provinces to \$1,363,382,464 in 1932. In addition to these direct

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liabilities, there were also indirect liabilities amounting to \$215,977,011, arising largely out of guarantees of railway and municipal obligations.

Gross Bonded Debt and Total Direct Liabilities of all Municipalities.—The total number of municipalities in Canada is over four thousand, and each of these municipalities has certain rights of borrowing money as well as of taxing its people to pay back the principal and interest of such borrowings. Canadian cities in particular have borrowed rather freely with the result that the grand total bonded debt of all the municipalities of Canada as at the end of 1931 is given by the municipal affairs authorities of the different provinces (or in certain cases the figures are supplied directly to the Dominion Bureau of Statistics) at \$1,288,808,-157, as shown in Table 6. Further, it was possible to secure the total direct liabilities of all municipalities for six of the provinces, and the total of such

liabilities for the six provinces together with the bonded debt figures for the remaining provinces make up a grand total of \$1,584,031,475, which is the lowest figure at which the aggregate direct liabilities of Canadian municipalities can be placed. No information is available with regard to indirect liabilities of municipalities.

Aggregate of Public Obligations.—The aggregate debt of all public authorities in Canada, including Dominion net and guaranteed debt, provincial direct and indirect liabilities and municipal direct liabilities, so far as the figures are available, is shown by the figures of summary Table 1 to be \$6,539,728,053. It is possible that this figure may include some element of exaggeration, more particularly in respect of obligations which may be due by municipal authorities to provincial governments. Such obligations would be shown as a part of the direct liabilities of municipal authorities but owing to the form in which this information is asked for and provided, assets of the provincial governments are not shown.

Another element of exaggeration lies in the fact that it is common practice in Canada for public authorities to buy up the obligations of other public authorities with money set apart for sinking fund purposes. It is impossible in such statements as those now submitted to allow for this factor because figures of assets are not now in request. Further, if there were a request to set off assets as against debts, there would be no general agreement as to what assets should properly be considered as a set-off to liabilities. The Dominion Government's practice in this respect was changed in 1920, but a uniform plan for the provinces and for the municipalities of Canada is urgently needed.

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TABLE 1.—SUMMARY OF THE AGGREGATE PUBLIC DEBT OF CANADA, ITS PROVINCES AND MUNICIPALITIES, CIRCA 1932

Net debt of Canada, March 31, 1932	\$2,375,846,172
Guaranteed debt of Canada, March 31, 1932—	
Principal and interest guaranteed	784,315,264
Interest only guaranteed	216,207,142
Gross direct liabilities of Provinces, fiscal years ended in 1932	1,363,382,464
Indirect liabilities of Provinces, fiscal years ended in 1932	215,977,011
Grand total direct liabilities of all Canadian Municipalities, Dec. 31, 1931, at least	1,584,000,000
Total	\$6,539,728,053

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TABLE 2.—BALANCE SHEET OF THE DOMINION OF CANADA, AS AT MAR. 31, 1932
(From the Public Accounts)

Active Assets—

Cash on hand and in banks	\$ 57,352,841
Specie reserve	61,660,602
Advances to provinces, banks, etc.	173,183,733
Advances to foreign Governments	30,494,720
Soldier and general land settlement loans	47,804,080
Miscellaneous current accounts	82,401,415
Total active assets	\$ 455,897,391
Balance of liabilities over active assets being net debt, Mar. 31, 1932 (exclusive of interest accrued and outstanding carried forward)	2,375,846,172
	\$2,831,743,563

Non-active Assets—

Public Works, canals	\$ 237,077,740
Public Works, railways	441,933,589
Public Works, miscellaneous	243,337,218
Military property and stores	12,035,421
Territorial accounts	9,895,948
Railway accounts (old)	88,398,829
Railway accounts (loans non-active)	614,406,239
Canadian National Steamships (loans non-active)	16,750,034
Miscellaneous investments and other accounts (non-active)	44,885,161
Balance Consolidated Fund as at Mar. 31, 1931	572,500,770
Excess of expenditure over revenue, year ended Mar. 31, 1932	94,625,223
	\$2,375,846,172

Liabilities—

Dominion notes in circulation	\$ 157,388,180
Bank Note Circulation Redemption Fund	6,811,793
Post Office account, money orders postal notes, etc., outstanding	3,448,855
Post Office Savings Bank deposits	23,919,677
Insurance and superannuation funds	90,147,427
Trust funds	18,752,801
Contingent and special funds	1,923,062
Province accounts	9,623,817
Temporary loan, New York	15,000,000
Funded debt	2,502,859,760
Interest due and outstanding	1,868,191
	\$2,831,743,563

NOTE.—The Dominion of Canada is also responsible for principal and interest on loans negotiated by railways, under various Acts of Parliament, amounting to \$753,080,146. (See Table 4 for details).

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TABLE 3.—FUNDED DEBT OF THE DOMINION PAYABLE IN LONDON, NEW YORK AND CANADA, AS AT MARCH 31, 1932

NOTE.—Temporary loans are not now included in this table.

Description	Amount	Annual Interest Payable Thereon	Date of Maturity
PAYABLE IN LONDON			
4 per cent loan of 1940-60	93,926,666	3,757,067	Oct. 1, 1960 (on or after Oct. 1, 1940 giving 3 months' notice).
3½ per cent loan of 1884	23,467,206	821,352	On giving 6 months' notice, or June 1, 1934.
3½ per cent loan C. P. Ry. land grant	15,056,007	526,960	July 1, 1938.
3½ per cent loan of 1930-50	137,058,841	4,797,059	July 1, 1950 (on or after July 1, 1930, on giving 6 months' notice).
3 per cent loan of 1888	8,071,230	242,137	July 1, 1938.
3 per cent loan of 1892	18,250,000	547,500	July 1, 1938.
3 per cent loan of 1894	10,950,000	328,500	July 1, 1938.
2½ per cent loan of 1897	4,888,186	122,205	Oct. 1, 1947.
Unpaid debentures	17,236		
Gross Totals	311,685,372	11,142,780	
Less sinking funds	62,007,524	1-1	
Net Total	249,677,848	11,142,780	
PAYABLE IN NEW YORK			
5 per cent bond loan, 1915-1935	874,000	43,700	Aug. 1, 1935.
5 per cent public service loan, 1916	1,000		Overdue.
5 per cent public service loan, 1916	85,000		Overdue.
5 per cent bond loan, 1922-1952	100,000,000	5,000,000	May 5, 1952. Subject to redemption May 1, 1942 or at 60 days' notice thereafter.
5½ per cent bond loan, 1919-1929	11,700		Overdue.
4½ per cent ten-year bonds	40,000,000	1,800,000	Feb. 1, 1936.
4 per cent bond loan, 1930-1960	100,000,000	4,000,000	Oct. 1, 1960, or 60 days' notice after Oct. 1, 1950.
Totals	240,971,700	10,843,700	

TABLE 3.—FUNDED DEBT OF THE DOMINION PAYABLE IN LONDON, NEW YORK AND CANADA, AS AT MARCH 31, 1932

NOTE.—Temporary loans are not now included in this table.

Description	Amount	Annual Interest Payable Thereon	Date of Maturity
PAYABLE IN CANADA			
Provincial notes, Nova Scotia.....	39,180		
Unpaid warrants, Prince Edward Island.....	550		
Compensation to seigneurs.....	12,140	728	
Compensation to townships.....	153	8	
Province of New Brunswick, 6 p.c. loan debentures.....	600		Overdue.
Province of Canada, 5 p.c. loan debentures.....	400		Overdue.
Dominion stock, issue A, 6 p.c.....	4,000	240	Demand.
Dominion stock, issue B, 3½ p.c.....	16,000	560	Demand.
Dominion stock, issue C, 3½ p.c.....	48,667	1,703	Demand.
Debentures stock, 1919.....	2,000		Overdue.
Debentures stock, 5 p.c. (school lands).....	33,293,471	1,664,674	July 1, 1934, or at 6 months' notice.
Debentures stock, 1921.....	200		Overdue.
War Savings Certificates.....	13,110		Overdue.
War Savings and Thrift Stamps.....	85,422		Overdue.
Dominion of Canada War Loan, 1915-25, 5 p.c.....	12,800		Overdue.
Dominion of Canada War Loan, 1917-37, 5 p.c.....	90,166,900	4,508,345	Mar. 1, 1937.
Victory Loan, 1917, 5½ p.c., due 1922.....	69,200	1-1	Overdue.
Victory Loan, 1917, 5½ p.c., due 1927.....	43,200	1-1	Overdue.
Victory Loan, 1917, 5½ p.c., due 1937.....	236,299,800	12,996,489	Dec. 1, 1937.
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Victory Loan, 1918, 5½ p.c., due 1923.....	76,200		Overdue.
Victory Loan, 1918, 5½ p.c., due 1933.....	169,971,850	9,348,452	Nov. 1, 1933.
Victory Loan, 1919, 5½ p.c., due 1924.....	39,950		Overdue.
Victory Loan, 1919, 5½ p.c., due 1934.....	226,138,350	12,437,609	Nov. 1, 1934, or at six months' notice.
Renewal Loan, 1922, 5½ p.c., due 1927.....	18,650		Overdue.
Renewal Loan, 1922, 5½ p.c., due 1932.....	34,449,950	1,894,747	Nov. 1, 1932.
Refunding Loan, 1923, 5 p.c., due 1928.....	12,800		Overdue.
Refunding Loan, 1923, 5 p.c., due 1943.....	147,000,100	7,350,005	Oct. 15, 1943.
Refunding Loan, 1924, 4½ p.c., due 1944.....	50,000,000	2,250,000	Oct. 15, 1944.
Refunding Loan, 1925, 4½ p.c., due 1940.....	75,000,000	3,375,000	Sept. 1, 1940.
Refunding Loan, 1926, 4½ p.c., due 1946.....	45,000,000	2,025,000	Feb. 1, 1946.
Two Year Treasury Notes, 4 p.c., due 1932.....	40,000,000	1,600,000	Dec. 1, 1932.
National Service Loan, 1931, 5 p.c., due 1936.....	79,535,200	3,976,760	Nov. 15, 1936.
National Service Loan, 1931, 5 p.c., due 1941.....	141,663,000	7,083,150	Nov. 15, 1941.
Conversion Loan, 1931, 4½ p.c., due 1956.....	43,125,700	2,102,378	Nov. 1, 1956, Subject to redemption Nov. 1, 1946, or subsequently at 60 days' notice.
Conversion Loan, 1931, 4½ p.c., due 1957.....	37,523,200	2,063,776	Nov. 1, 1957, Bears 5½ p.c. to Nov. 1, 1932, subject to redemption Nov. 1, 1947, or at 60 days' notice thereafter.
Conversion Loan, 1931, 4½ p.c., due 1958.....	276,688,100	15,217,846	Nov. 1, 1958, Bears 5½ p.c. to Nov. 1, 1933, subject to redemption Nov. 1, 1948, or at 60 days' notice thereafter.
Conversion Loan, 1931, 4½ p.c., due 1959.....	285,772,300	15,717,477	Nov. 1, 1959, Bears 5½ p.c. to Nov. 1, 1934, subject to redemption Nov. 1, 1949, or at 60 days' notice thereafter.
Gross Totals.....	2,012,599,507	105,614,947	
Less sinking funds.....	389,295	1-1	
Net Totals.....	2,012,210,212	105,614,947	

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TABLE 4.—THE GUARANTEED DEBT BY COUNTRY IN WHICH PRINCIPAL AND INTEREST ARE PAYABLE MARCH 31, 1932

Items	Amount outstanding at March 31, 1932		Principal and Interest payable in
	Held by the Public	Held by the Minister of Finance	
	\$	cts.	
GUARANTEED SECURITIES			
Railway Securities Guaranteed as to Principal and Interest—			
1. Canadian Northern Ry. Co., 3 per cent deb. stock due 1953, £1,923,287 0-0	9,359,996	72	London.
2. Canadian Northern Ry. Co., 3½ per cent deb. stock due 1958, £1,622,586-19-9	7,896,563	16	London and Canada.
3. Canadian Northern Ont. Ry. Co., 3½ per cent deb. stock due 1961, £7,350,000-0-0	34,229,996	87	London and Canada.
4. Canadian Northern Alberta Ry. Co., 3½ per cent deb. stock due 1960, £647,260-5-6	3,149,998	66	London and Canada.
5. Grand Trunk Pacific Ry. Co., 3 per cent bonds due 1962, £14,000,000-0-0	34,992,000	00	London, N.Y. and Canada.
6. Canadian Northern Alta. Ry. Co., 3½ per cent deb. stock due 1962, £733,561-12-10		3,569,996	86
7. Canadian Northern Ry. Co., 4 per cent deb. stock and bonds due 1934	17,060,333	33	See footnote A.
8. Grand Trunk Pacific Ry. Co., 4 per cent bonds due 1962, £3,280,000-0-0	8,440,848	00	London, New York and Canada.
9. Canadian Northern Ry. Co., 7 per cent bonds due 1940	24,282,000	00	New York.
10. Grand Trunk Ry. Co., 7 per cent bonds due 1940	24,492,000	00	New York.
11. Canadian Northern Ry. Co., 6½ per cent bonds due 1946	24,499,000	00	Canada.
12. Grand Trunk Ry. Co., 6 per cent bonds due 1936	24,475,000	00	Canada.
13. Canadian National Ry. Co., 5 per cent serial equipment bonds, 1923-38	9,750,000	00	Canada.
14. Canadian National Ry. Co., 5 per cent bonds due 1954	50,000,000	00	Canada.
15. Canadian National Ry. Co., 4½ per cent bonds due 1954	26,000,000	00	New York and Canada.
16. Canadian Northern Ry. Co., 4½ per cent bonds due 1935	17,000,000	00	New York and Canada.
17. Canadian National Ry. Co., 1927, 2 per cent guar. Deb. stock, £7,176,801-0-0	29,452,409	67	London.
18. Canadian National Ry. Co., 4½ per cent Gold Bonds due 1957	65,000,000	00	New York and Canada.
19. Canadian National Ry. Co., 4½ per cent Gold Bonds due 1968	35,000,000	00	London, New York and Canada.
20. Canadian National Ry. Co., 5 per cent Gold Bonds due July 1, 1969	60,000,000	00	London, New York and Canada.
21. Canadian National Ry. Co., 5 per cent Gold Bonds due Oct. 1, 1969	60,000,000	00	London, New York and Canada.
22. Canadian National Ry. Co., 5 per cent Gold Bonds due 1970	18,000,000	00	London, New York and Canada.
23. Canadian National Ry. Co., 4½ per cent Gold Bonds due 1955	50,000,000	00	London, New York and Canada.
24. Canadian National Ry. Co., 4½ per cent Gold Bonds due 1956	70,000,000	00	London, New York and Canada.
25. Canadian National Ry. Co., 4½ per cent Gold Bonds due 1951	50,000,000	00	London, New York and Canada.
	753,080,146	41	58,157,951
			99

FOOTNOTE A—£3,500,000—Sterling stock.

\$27,000—Dollar bonds which are payable in London, New York and Canada.

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TABLE 4.—THE GUARANTEED DEBT BY COUNTRY IN WHICH PRINCIPAL AND INTEREST ARE PAYABLE MARCH 31, 1932—*Con.*

Items	Amount outstanding at March 31, 1932		Interest payable in	
	Held by the Public	Held by the Minister of Finance		
	\$	cts.	\$	cts.
Railway Securities Guaranteed as to Interest only—				
26. Grand Trunk Ry. Acquisition Guarantees—Grand Trunk 4 per cent perpetual guar. stock, £12,500,000.	60,833,333	33	London.	
Grand Trunk 5 per cent perpetual deb. stock, £4,270,375.	20,782,491	67	London.	
Great Western 5 per cent perpetual deb. stock, £2,723,080.	13,252,322	67	London.	
Grand Trunk 4 per cent perpetual deb. stock, £24,624,455.	199,839,014	33	London.	
Northern Ry. of Canada, 4 per cent perpetual deb. stock, £308,215.	1,499,979	67	London.	
	216,207,141	67		
Other Securities Guaranteed as to Principal and Interest—			Principal and Interest payable in	
27. Harbour Commissioners of Montreal, Montreal South Shore Bridge, 5 per cent Bonds due 1969.	19,000,000	00	London, New York and Canada.	
28. Canadian National (West Indies) Steamships, Ltd., 5 per cent Bonds due 1955.	9,400,000	00	London, New York and Canada.	
29. St. John Harbour Commission— (a) Bonded indebtedness of the City of Saint John, assumed by Commission.	1,467,164	96	\$169,000 payable in London bal. in Canada.	
(b) Debentures of the Commission issued to the City of Saint John—5 per cent due Aug. 1, 1952.	667,953	04	Canada.	
30. New Westminster Harbour Commissioners, 4½ per cent debentures due 1948.	700,000	00	New York and Canada.	
	31,235,118	00		

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TABLE 5.—DEBT OF PROVINCIAL GOVERNMENTS FOR THEIR RESPECTIVE FISCAL YEARS ENDED IN 1932

(Subject to revision)

Province	Fiscal Year Ended	Gross Bonded or Funded Debt	Treasury Bills	Gross Direct Liabilities	Indirect Liabilities
		\$	\$	\$	\$
Prince Edward Island.	Dec. 31.	3,504,000 00		(a) 4,246,981 27	
Nova Scotia.	Sept. 30.	61,740,746 65		64,161,746 65	
New Brunswick.	Oct. 31.	58,739,662 00	1,162,092 00	59,901,754 00	1,318,782 00
Quebec.	June 30.	91,987,691 58		108,188,709 50	4,379,300 00
Ontario.	Oct. 31.	499,886,000 00	37,505,000 00	577,705,000 00	86,618,000 00
Manitoba.	April 30.	89,630,906 24	(b) 18,920,232 91	124,558,809 97	10,006,647 32
Saskatchewan.	April 30.	101,831,236 00	26,388,469 00	134,068,943 00	34,383,034 00
Alberta.	Mar. 31.	128,970,593 43	7,750,317 68	149,600,999 72	11,133,390 37
British Columbia.	Mar. 31.	112,060,761 00	11,481,490 53	140,949,519 97	68,137,857 23
Total.		1,148,451,596 90	103,707,602 12	1,363,382,464 08	215,977,010 92

(a) Including gross funded debt, bank overdrafts and deposits due public.

(b) Including exchequer bonds.

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NOTES ON DIRECT LIABILITIES OF PROVINCIAL GOVERNMENTS IN CANADA

Of the total gross direct liabilities of provincial governments in 1932 amounting to \$1,363,382,464 the gross bonded or funded debt amounted to \$1,148,451,596 while treasury bills amounted to \$103,707,602 leaving a balance of approximately \$111,000,000 representing "other liabilities." This latter amount is largely comprised of accounts payable, bank overdrafts, interest and other miscellaneous items.

The details concerning provincial liabilities for all provinces in 1932 are not yet available but the bonded or debenture debt was greater than in 1931. A brief analysis of this debt for 1931 will be of interest.

Direct Revenue—Producing Bonded Debt.—A considerable portion of bonded or debenture debt is of a direct revenue-producing character. As already stated the details for 1932 are not available but the following table shows approximately some principal items included in the bonded debt of 1931 having earning capacities.

Nova Scotia investment in Power Commission.	\$ 13,300,000
New Brunswick investment in Power Commission.	5,000,000
Quebec Streams Commission.	6,700,000
Quebec Housing Loans.	4,600,000
Ontario Hydro-Electric Power Commission.	188,300,000
Ontario T. and N.O. Railway.	30,300,000
Ontario Housing Loans.	4,500,000
Ontario Drainage.	2,500,000
Ontario Agricultural Board Investments.	36,000,000
Manitoba Government Telephone System.	22,000,000
Manitoba Drainage.	6,200,000
Manitoba Power Commission.	4,000,000
Saskatchewan Telephone.	12,400,000
Saskatchewan Power Commission.	5,000,000
Saskatchewan Farm Loan Board.	13,000,000
Alberta Telephone (Treas. Bills not included).	21,900,000
	<hr/>
	\$375,600,000

Indirect Revenue—Producing Debt.—The construction and development of highways and good roads throughout Canada within recent years has been responsible for a large amount of the provincial debenture debt as will be seen in the following table for 1931.

PROVINCIAL HIGHWAY DEBENTURES

Province	Amount Outstanding 1931
Prince Edward Island.	\$ 1,175,090
Nova Scotia.	19,748,930
New Brunswick.	35,928,810
Quebec.	38,877,000
Ontario.	162,566,276
Manitoba.	16,546,393
Saskatchewan.	28,645,587
Alberta.	29,370,399
British Columbia.	41,604,416
Total.	<hr/> \$374,462,811

The total taxation from the distribution and operation of motor vehicles and gasoline tax in 1931 amounted to over \$43,000,000 while the motor tourist expenditure was estimated at over \$250,000,000 in 1931. These are indirectly due to provincial investments in highways.

NOTES ON INDIRECT LIABILITIES OF PROVINCIAL GOVERNMENTS
FOR THE YEAR 1932

In addition to the direct liabilities of provincial governments all of the provinces with the exception of Prince Edward Island and Nova Scotia also show indirect liabilities which constitute guarantees for loans to or bonds issued by railways, municipal and other institutions. While the governments are liable for the payment of such debt in the event of non-payment by the companies or institutions issuing the bonds, there is generally good security and the liabilities guaranteed by the provinces are never included with direct provincial debt.

The following notes describe the bonds guaranteed by each individual province:—

New Brunswick.—N.B. Cold Storage Company's Bonds; New Brunswick and Seaboard Bonds; Town of Campbellton; Fredericton and Grand Lake Coal and Railway Company; Southampton Railway Company; Farmers' Co-operative Creamery Company; N.B. Potato Products Limited.

Quebec.—Verdun Protestant Hospital; Hull Court House; Technical Schools in Hull, Montreal, Quebec, and Three Rivers; Polytechnic Schools in Montreal; Municipal Debentures, Three Rivers, Terrebonne, Ste. Agathe des Monts, Riviere du Loup, Grand'Mere.

Ontario.—T. and N.O. Railway Commission, Niagara and Presqu'Ile Park Commissions; Universities of Toronto and London; Municipal Debentures for towns of Bruce Mines, Matheson, Capreol, Tisdale, Cochrane, Haileybury, Timmins, Kapuskasing and Englehart; Municipal Housing Act in certain cities and towns; Hydro Electric Power Commission (\$65,338,590 in 1931); Department of Education Act and amendments.

Manitoba.—Municipal Debentures inc. Interest and Bank Overdrafts; Advances to Municipalities by Banks *re* Seed Grain and Fodder Act, 1932; Provincial Savings Office Liability to Depositors.

Saskatchewan.—Canadian Northern and G.T.P. Branch Lines Principal and Interest on Debentures; Saskatchewan Co-operative Creameries Ltd. Bank Loans; Drainage District Debentures; Advancement of Agricultural Interests; Dominion Government Seed Grain Advances; Superannuation Account Accrued Interest.

Alberta.—Irrigation District Debentures; Drainage District Debentures; University of Alberta; Co-operative Credit Societies; Alberta Hall Insurance Board; Co-operative Marketing Associations.

British Columbia.—Guarantees Canadian Northern Pacific Railway Railway Co. (\$40,157,523) now operated by C.N.R. (B.C. Government holds first mortgage on all C.N.P. railway lines within Province); Pacific Great Eastern Railway Co. (\$20,160,000); Vancouver and District Joint Sewerage and Drainage Board; Agricultural Credit Commission; West Nicomen Dyking District. Sinking funds have been established in connection with the four last named guarantees.

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TABLE 6.—GROSS BONDED DEBT, ALSO TOTAL DIRECT LIABILITIES OF ALL MUNICIPALITIES, BY PROVINCES, FOR THE CALENDAR YEAR ENDED DECEMBER 31, 1931

(Subject to revision)

Province	Bonded Debt	Total Direct Liabilities
Alberta	\$ 78,679,570	\$111,315,046
British Columbia	129,913,890	142,111,273
Manitoba	116,864,937	152,224,499
New Brunswick	21,477,521	not available
Nova Scotia	31,386,025	41,902,980
Ontario	499,002,074	620,835,266
Prince Edward Island	(a) 1,863,211	not available
Quebec	362,132,334	444,813,084
Saskatchewan	47,488,595	not available
	<u>\$1,288,808,157</u>	<u>(b) \$1,584,031,475</u>

(a) For the year 1930 later figures not available.

(b) Includes figures of bonded debt of municipalities in provinces of New Brunswick, Prince Edward Island and Saskatchewan, where totals of direct liabilities are not available.

NOTES ON LIABILITIES OF MUNICIPALITIES THROUGHOUT CANADA

There are over 4,200 municipalities throughout Canada. All municipalities possess borrowing powers under more or less restriction by their respective provincial governments. These powers are largely employed for extension of public services, the cost of which could not be met by current annual revenue. Erection of public buildings, educational and other institutions, the cost of public utilities, the laying of water and sewer services, pavements, sidewalks and other permanent improvements are therefore usually undertaken by issuing debentures for a term of years and, generally speaking, sinking funds are provided annually to meet the maturity of the debentures so issued. Debt so incurred is therefore known as bonded or debenture debt. Other liabilities consist of temporary loans and overdrafts on banks, accounts payable and miscellaneous current floating liabilities.

It will be seen from the table that bonded or debenture debt forms the large part of municipal indebtedness.

SESSION 1932-33
HOUSE OF COMMONS



SELECT STANDING COMMITTEE

ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

THURSDAY, MARCH 16, 1933

Order of Reference: *Re Debts and Interest Rates.*

WITNESS:

Dr. R. H. Coats, F.S.S., Dominion Statistician.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1933



MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

THURSDAY, March 16, 1933.

The Select Standing Committee on Banking and Commerce met this day at 11 a.m.

Members present: Messieurs Arthurs, Baker, Bowman, Euler, Gagnon, Ganong, Geary, Hackett, Hanson (*York-Sunbury*), Howard, Hurtubise, Lawson, MacMillan (*Saskatoon*), Matthews, McPhee, Mercier (*St. Henri*), Morand, Perley (*Qu'Appelle*), Pettit, Power, Robinson, Smoke, Speakman, Spencer, Stanley, Stevens, 26.

Mr. R. C. Matthews, Chairman, presiding.

The Committee further considered the Resolution: *Re Debts and Interest Rates.*

After discussion of statistics concerning public debts, filed with the Committee at its last meeting, and printed as Appendix "C" of the proceedings of last meeting, Dr. R. H. Coats, Dominion Statistician, was heard on the matter of private debts.

He filed, for the use of the Committee, a memorandum, printed herewith as Appendix "D", shewing:—

- A.—Statement of Bonded Indebtedness of corporations;
- B.—Bank Loans;
- C. Farm mortgages.

The witness also dealt with the matter of urban mortgages and book debts.

Discussion followed.

The Committee adjourned to meet at the call of the Chair.

T. L. McEVOY,
Clerk of the Committee.



MINUTES OF EVIDENCE

HOUSE OF COMMONS,

MARCH 16, 1933.

The Select Standing Committee on Banking and Commerce met at 11 o'clock, Mr. R. C. Matthews presiding.

The CHAIRMAN: At this morning's meeting, Dr. Coats will discuss a memorandum on private debts, after which the meeting will be thrown open for discussion. Copies of the memorandum (Appendix "D") will be distributed to the members; but before proceeding, I think the meeting should be left open to ask questions, or have further discussion, on the memorandum of public debts which was submitted at the last meeting. If there are no questions the members desire to ask, I should like to ask Dr. Coats, or those associated with him, to proceed with the statement.

Mr. HANSON: Well, I have a question to ask Dr. Coats, and it is purely a political one. The financial critic of the Opposition in the Provincial Legislature of New Brunswick, when speaking on the gross debt of this country, Dominion, Provincial and municipal,—I have not the paper with me at the moment, and I am not sure whether he included private debts or not—said that it amounted to \$12,000,000,000, and he quoted Dr. Coats to that effect. I am quite satisfied his statement is absolutely incorrect, but I should like to know if Dr. Coats ever made such a statement, and if it is incorrect, what his estimate of the debt is. I would like the newspapers here to give some publicity to it.

Mr. LAWSON: Dr. Coats gave his estimate as something under \$7,000,000,000.

Hon. Mr. STEVENS: It will be found in appendix "C" of our Minutes of Proceedings and Evidence, No. 1.

Mr. HANSON: I do not know where he got it, but I want to contradict it, officially, if I can do it.

Mr. LAWSON: It is summarized on page 3 of the memorandum. (Appendix "C").

Mr. HANSON: That is a summary of the aggregate debt of Canada.

Mr. LAWSON: It includes the Dominion, provinces, and the municipalities.

Mr. HANSON: This is a statement of the public debt?

Dr. COATS: It is a statement of the public debt, as I gave it.

Mr. HANSON: You never made any other statement?

Dr. COATS: Not yet, no.

Mr. HANSON: That is all I want.

Mr. SPEAKMAN: Mr. Hanson, in New Brunswick, was the statement that was given an aggregate of public debt, or public and private debt?

Mr. HANSON: My understanding is it was the aggregate of public debt, which he said was \$12,000,000,000.

The CHAIRMAN: I do not want to interrupt this discussion, but is this Committee concerned about what is said in New Brunswick?

Mr. HANSON: If a wrong impression got out, it would create a very alarming impression. I think the first opportunity ought to be taken to correct it, and this is the only place where it can be done.

The CHAIRMAN: The Committee was supplied with a statement of the public debt prepared by the Bureau of Statistics, and if any one in this Committee wishes any questions answered concerning that memorandum, it is quite allright, but to bring up a discussion that took place in some other assembly is quite another thing.

Mr. HANSON: I do not want to get into any discussion, but I want to get figures officially from the Dominion Statistician who is in a position to give them.

The CHAIRMAN: That was covered at our last meeting.

Mr. HANSON: It was not published at that time; we did not have this for reference.

Mr. STANLEY: I do not know whether my inquiry will be within the scope of this Committee, but still it will be interesting to some of us. I am not sure of the situation in some of the provinces, but I know something about the province of Alberta, and I shall refer only to that province. I think the same principle would, probably, apply to the other provinces as well. On page 11 I find, under Alberta, notes of indirect liability of provincial governments for the year 1932, the following: "Irrigation District Debentures; Drainage District Debentures; University of Alberta; Co-operative Credit Societies; Alberta Hail Insurance Board; Co-operative Marketing Associations." No doubt the debt summary which is shown here in the memorandum includes all those debts, and I presume, as far as the University is concerned, it is a permanent debt. When you come to consider the question of telephones, you will find we have \$26,000,000 in our province invested in telephones, but along with that there is a very substantial sinking fund. There may be, and probably there is, a sinking fund in connection with those other amounts. For instance, take the Irrigation District Debentures. I do not know what provision is being made, but my thought is this: if we are giving to the public an idea of debt from the various provinces—take my own, as an illustration, the province of Alberta—there should be some consideration given to what provision has already been made in the way of a credit as against the debt that is being charged for in our statement. Do you get my point?

Dr. COATS: Of course, the Committee only asked me to present a statement of the debt of the provinces, not an analysis of the soundness, or unsoundness, of the financial situation. That is an entirely different thing.

Mr. HANSON: This is a direct liability, and takes no account of sinking funds.

Mr. STANLEY: Let me finish my question.

Mr. HANSON: I just wanted to clarify your question. The figure on page 9A of the Appendix, \$1,363,382,464, gross liabilities of provinces, does not take into account anything in the nature of an offset by way of sinking fund?

Dr. COATS: No, these figures are transcripts of the public accounts of the provinces. They are the gross direct liabilities as recorded in the public accounts of the various provinces.

Mr. HANSON: Following Dr. Stanley's point, in order not to paint too black a picture, there should be submitted with this summary a statement, we will say, of the sinking funds which the provinces actually have on hand. Now, for instance, the province of New Brunswick has a sinking fund invested in government bonds, Dominion and Provincial, equal to about 18 per cent of its gross debt, besides other assets of which I am not speaking. That would reduce the provincial debt of New Brunswick by that amount.

Dr. COATS: A sinking fund does not reduce the amount of the debt.

Mr. HANSON: It shows that difference between the net aggregate debt and the gross aggregate debt.

Mr. STANLEY: Mr. Chairman, Dr. Coats is perfectly right, statistically speaking. There is no question about that, and I am not disputing it. I want him to understand that. The purport of Mr. Speakman's motion is to give to the public, through this Committee, direct information as to the financial standing of Canada and its various parts. Take another illustration from my province. Large sums of money have been invested by the province in irrigating certain lands. Those lands in turn have been sold on contract to settlers. Payments are being made from time to time, and those monies reserved for the repayment of the loans made.

Now, there is a vast difference between money borrowed to be invested in highways in the province, as a permanent improvement of the province, and money borrowed to be advanced on a marketing scheme, or on a land settlement scheme, payment of which is to come back. Do you get my point?

Mr. LAWSON: Could it not be summarized in this way: the statement that has been prepared is a statement of debt, with no attempt to compute as against that debt any offsetting assets that any province may have?

Dr. COATS: Quite so. I did not understand Mr. Speakman's resolution at all in the sense of the last speaker. I understood that he wished to obtain a view, from the banking and currency standpoint, preeminently, of the aggregate public debt of the country, irrespective as to whether there are assets over and above, or under it. This in no way affects the solvency or insolvency, if you might say so, of the other provinces.

Mr. SPEAKMAN: Exactly in the same way if I were to secure an aggregate statement of the aggregate amount of the farm mortgages in the country. Naturally there are land values which more than offset the mortgages, but at the same time it is a debt which has to be paid.

Mr. HANSON: Yes. But in that very connection you do not want to set up a one-sided picture. If you do, you will put out a hopeless proposition to the people of this country.

Mr. SPEAKMAN: Yes.

Hon. Mr. STEVENS: Turn to page 10, Mr. Hanson, of Appendix "C", and you will find a statement there showing the direct revenue producing bonded debt.

Mr. SPEAKMAN: There is a statement on page 2 which apparently covers that. It shows where the governments hold the bonds of other governments as part of the sinking fund. That is a common practice among governments.

Mr. HANSON: What is that?

Mr. SPEAKMAN: Look at the page on which you find. "Aggregate of Public Obligations." It is found on page 2, and explains the situation.

Mr. GANONG: I think what we are trying to get at really is, what our debt is, and how we are to pay it. We have to figure out the national income, and national income has to pay the interest on the bonds for irrigation loans, for hydro and everything else.

Dr. COATS: May I say one word in explanation of the point that Mr. Hanson has brought up? If you are going into the question of offsetting assets in the spirit in which the remarks, up to the moment, have been made, you are, I should like to point out, undertaking a very extensive piece of investigation; and you are up against this point: that in the public accounts of a province, every province is a law unto itself in the matter of the way in which it shows assets and what constitutes assets. For example, if you turn to the public accounts of Ontario, you will find that the province of Ontario gives as an asset—I am speaking from memory now—I think about \$700,000,000 on account of unallotted forests on Crown lands, forests that are still in the possession of the Crown. But in Quebec you will find the principle quite different. Timber

limits in the province of Quebec are just as much an asset, but Quebec does not take that view of the case; does not make any entry, if I remember correctly, of undeveloped natural resources. You will find other points like this scattered throughout the public accounts. Alberta regards as an asset the capitalized value of the annual Dominion subsidy to that province, and has capitalized that, I think, at five or six per cent, and enters it as a capital asset.

Mr. HANSON: For balance sheet purposes?

Dr. COATS: For balance sheet purposes; and I think New Brunswick does the same thing.

Mr. HANSON: No.

Dr. COATS: Does it not? I am speaking from memory. It is a very complicated matter. If I remember correctly, Nova Scotia used to do it, but has discontinued it within the last two or three years. Of course, in the purview of the public debt of the country, that I was attempting to give in this statement, any statement of that kind, or any statement on the public finances of that kind, would have to be co-ordinated as between Dominion and Provinces. If we agree as a matter of practice that the Dominion subsidy should be capitalized as assets by the provinces, then we would have to show in the Dominion accounts, a capitalized liability, or else we would be very badly in the hole. I am just pointing out those items by way of showing you what one is tackling when he undertakes an excursion into the problem of public debts; and it is a matter in which one would have to go past the Dominion Bureau of Statistics. One would have to go to the Treasury Board of the several provinces.

Mr. HACKETT: To obviate all misunderstanding, has it been made clear to the Committee that Dr. Coats is neither an auditor, nor is he an appraiser. He has certain material which comes to him from the public accounts, both of the Dominion and of the provinces, and possibly from some public bodies; and he has attempted to put those accounts together and to explain them, to some extent. Notwithstanding that, he is limited to the information which is supplied him by public accounts, and cannot be expected to give definitely the exact surplus of assets over liabilities, or the contrary, if it should prove to be the situation, from the information before him. I think if we understand that, the picture which some have described as black, will not be misleading.

Mr. SPEAKMAN: Mr. Chairman, one of the members of the Committee suggested what he thought was the point I had in mind. My idea was to obtain a reasonably correct picture of the obligations of this country, public and private, and to ascertain the relationship between those obligations and the annual obligations consequent thereto, due to interest and other charges, as compared with the total revenue of the country.

Now, in ascertaining that, it is not necessary to ascertain the actual tangible assets which lie behind them. Of course, there are assets which lie behind them; but it is a question of relation between debt and the annual charges consequent thereto, which is one thing, and the total national income from all sources, which is another. The only point which affects it is the question of sinking funds, which are either in bonds or in cash, which one government paid out and some other government paid in. In a case like that, those bonds are not, and should not be counted twice in our accounts. I mean, if a province, for example, holds in a sinking fund, a certain number of Dominion and provincial bonds, those are not to be counted twice. Dr. Coats has alluded to that in his preface. Apart from that, I am not suggesting that the country is bankrupt. That is not my purpose at all. That is not my idea. My idea is to ascertain the relationship between the total obligations and the annual charges consequent thereto and incident thereto. That is one thing, and the national revenue on the other hand to see to what extent they balance, to what extent they may be improved, and to see how we stand from that point of view.

Mr. HACKETT: Will you go a step further? Are not the obligations to some extent the revenue? The obligations of the Dominion may very well constitute a source of revenue, in so far as their bonds are held by provinces?

Mr. SPEAKMAN: Certainly. I said as a sinking fund. Where bonds are held in a sinking fund, then the picture would show those bonds twice.

Mr. HANSON: That is right.

Mr. SPEAKMAN: But apart from the actual bonds being held, or cash being held in a sinking fund, the question of the assets lying behind liability does not enter into the picture from the point of view of what we are trying to get.

Mr. HACKETT: Dr. Coats might be put in a false position.

Mr. HANSON: It is not our intention to do that.

Mr. LAWSON: That is perfectly clear.

Dr. COATS: I might explain, in a few words, what we do in the Bureau of Statistics on public finance. We have drawn up a standardized classification for any year, on public finance, under four main headings: Revenues, expenditures, assets and liabilities. Then we have gone with the help of the provincial treasurers and the Department of Finance—we have gone through the various public accounts, and reassembled them in this ideal, as you might call it, classification. That is, for the purpose of getting comparative figures, and sum totals, we have followed a consistent principle throughout.

The CHAIRMAN: Gentlemen, are there any further questions you would like to ask Dr. Coats before we proceed?

Mr. LAWSON: When you say proceed, Mr. Chairman, you mean pass from public debt to private debt?

The CHAIRMAN: Yes. Dr. Coats will now make a statement with reference to private debt.

Dr. COATS: On the subject of private debt. Gentlemen, by private debt is meant non-governmental debt, I presume. It is frankly impossible, short of an elaborate inquiry into all these sums owned by individuals and partnerships, companies, undertakings of every business description, to arrive at anything like a complete figure on private debt. To carry out that kind of an investigation, even if it were possible, would amount to a census of the people over again, from this particular point of view—something which has never been attempted.

Mr. HACKETT: How could you define private debt, every private debt is a private asset, is it not?

Dr. COATS: That, again, is something which would have to be most carefully taken into consideration; the framing of a questionnaire. What should we ask the individual? It would be a parlous undertaking, to attempt to analyse so many-sided a thing as finance, through a questionnaire to the millions of people to whom it would have to be addressed. I would want at least some week's time to draw up the questionnaire in the first place. It has never been done. It has never been attempted anywhere, so far as I know, and it would be, of course, very costly.

But there are certain partial figures on private debt which I think it is interesting to bring together as an indication, so far as it goes, of the general situation. It seems to me that there are five main headings under which we can approach this thing, in the way we have attempted to do it. There is first the bonded debt of private corporations. Then there is the total of bank loans. Third, there are farm mortgages about which we know something. Then there are two further items on which we know very little—one is mortgages on urban property, and the other is ordinary book debts. Now, it is only on the first three of those that there is anything in existence that can be considered in the nature of statistics. Those three are: bonded debt of private corporations, total bank

loans, and farm mortgages. Now, I have brought together figures under these three headings as being good, in so far as they go. I could pass these memoranda around, and then I could tell you what is available under the remaining items: urban mortgages and book debts.

Mr. HANSON: Dr. Coats, you made an estimate, as I understood, of the bonded indebtedness of corporations. I could understand how you would get that of a Dominion corporation because under the Companies Act they have to file with the Secretary of State, all their mortgages and so forth. But with companies incorporated under provincial jurisdiction, can you do anything of the sort?

Dr. COATS: Yes, we have an annual census, as you know.

Mr. HANSON: Of the companies?

Dr. COATS: Of production in Canada; every manufacturer, every producer, outside of agriculture, that is, makes an annual statement to us.

Mr. HANSON: Makes a return of bonded debt?

Dr. COATS: We do not ask annually—occasionally we ask as to securities, and ask also as to where securities are held.

Mr. LAWSON: Dr. Coats, with reference to bonded debts of private corporations, do you consider the Hydro-Electric of Ontario, for example, a private corporation?

Dr. COATS: No.

Dr. LAWSON: You say that is public?

Dr. COATS: That is covered, if you will turn to page—

Mr. LAWSON: All public ownership corporations, though separately incorporated, are considered as public corporations?

Dr. COATS: What do you say?

Mr. LAWSON: I say that public corporations, public service corporations which are owned by governments and municipalities, and so forth—even though they may have a separate corporate existence—you treat as public corporations, and do not include their corporate indebtedness under private debts.

Dr. COATS: Yes, that is true. We have put C.N.R. bonds, for instance, which are in the hands of the public—to which Mr. White referred the other day—which amount to \$229,000,000, we include those in this statement. That is, the non-guaranteed bonds, we consider as private debts.

Mr. LAWSON: That is right.

Mr. HACKETT: For instance, in the province of Quebec there is a class of securities which is esteemed very highly, known as a *fabrique* loan, which constitutes, I am sure millions and millions of dollars. Most of these amounts are borrowed on the promissory note of the *fabrique*, which is generally signed by the priest and the acting warden.

Mr. HANSON: Just explain what the *fabrique* is.

Mr. HACKETT: The *fabrique* is the name we give to the parish, the business end of the parish. Now, is there any record of those obligations, Dr. Coats? I think it would be in this.

Mr. HACKETT: That is a favorite category of investment, a favorite class of investment.

Mr. GEARY: We have a certain memorandum before us. Suppose we go through that, before we get into things that are not in it.

The CHAIRMAN: Yes; Dr. Coats will complete his statement, and then we will go on with questions.

Mr. HANSON: May we not ask questions as we go along?

The CHAIRMAN: Yes.

Mr. HANSON: Well, Dr. Coats—

The CHAIRMAN: But I would like Dr. Coats to make this statement, before we begin to discuss it.

Mr. HACKETT: That is right.

The CHAIRMAN: Go ahead, Dr. Coats, please.

Dr. COATS: Gentlemen, I think the memorandum is largely self-explanatory. Under the heading of bonded indebtedness we have grouped corporations under three headings: First, railways; second, manufacturing concerns and third, others.

Mr. GEARY: On that point—you are dealing with part A, are you?

Dr. COATS: Yes.

Mr. GEARY: What is C.P.R., \$620,000,000. Is that their bonds or five per cent notes or what?

Mr. HACKETT: Stock.

Dr. COATS: I think Mr. Marshall can answer that.

Mr. MARSHALL: \$620,000,000 of the C.P.R. consists of the bonded indebtedness of all the various railways which comprise the C.P.R. system, and includes also debenture stock.

Mr. GEARY: Includes what?

Mr. MARSHALL: The debenture stock, not common stock or preferred stock.

Mr. HANSON: This includes the funded debt of the whole system?

Mr. MARSHALL: The funded debt, yes.

Mr. GEARY: These notes are not what you call funded.

Mr. HANSON: I would say they are all funded—collateral trust notes.

Mr. BOWMAN: With respect to the C.N.R. \$229,000,000, is that non-guaranteed?

Mr. MARSHALL: Yes, that is non-guaranteed.

Mr. HANSON: Including equipment trust certificates.

Mr. MARSHALL: Yes.

Mr. MACMILLAN: What is the other \$70,000,000?

Mr. MARSHALL: That includes railways other than the Canadian National and Canadian Pacific. For example in this book "Statistics of Steam Railways of Canada, on page 63, the various lines, other than the Canadian National and the Canadian Pacific, are enumerated. For example, there is the Northern Alberta, which is owned jointly and controlled jointly by the Canadian Pacific and the Canadian National railways, so that is not classed at all. You cannot very well include it under the C.N.R. or under the C.P.R.

Mr. HANSON: The bonds of that road were guaranteed by the province of Alberta. Are they included in the bonded debt of the province of Alberta?

Mr. MARSHALL: If they are guaranteed by the province of Alberta, they are included there.

Mr. HANSON: And are not in this \$70,000,000?

Mr. MARSHALL: No.

Mr. HANSON: The effect is that there may be a duplication.

Dr. COATS: We have avoided that, or tried to.

Mr. GEARY: You did not put Michigan Central in there, an American road?

Mr. MARSHALL: Yes.

MR. HANSON: Take for instance the Dominion Atlantic Railway which is a separate corporate entity with a large bonded indebtedness, but which is controlled through stock ownership, I understand—I am not quite sure about this—by the Canadian Pacific. Is that included in the \$620,000,000 of the C.P.R.?

Mr. MARSHALL: Yes, that is under the C.P.R.

Dr. COATS: I might explain that apart from the railways, practically all of the rest of these returns are in reply to a question put on our annual schedule to manufacturers and other producing concerns, mining and all that class. I think these figures pertain only to 1929. We have not repeated that. Most of them are two or three years old.

Mr. GEARY: Is the question generally answered?

Dr. COATS: Oh, yes, it is very well answered.

Mr. GEARY: This would be fairly accurate?

Dr. COATS: Yes. It is a point that involves very little or no trouble for the manufacturer or the concern to answer. What we have trouble with is getting records of the raw material used, and things of that kind.

Mr. HANSON: \$229,000,000 to the Canadian National—how far have you brought that down?

Mr. MARSHALL: To the end of 1932.

Mr. HANSON: Yes; that is approximately up to date.

THE CHAIRMAN: Mr. Marshall will continue his explanation.

Mr. MARSHALL: The item for non-manufacturing companies, \$680,000,000, comprises in the first place of the utilities such as the power companies, like Shawinigan; and secondly, mines; and third, all others, includes trading establishments such as the T. Eaton or Robert Simpson Company, and all those which have bonded interest, and various financial and service corporations such as—

Mr. HANSON: Investment Trusts?

Mr. MARSHALL: Investment Trusts, yes.

Mr. POWER: Why bring that up? May I ask where Beauharnois indebtedness comes into this thing?

Mr. MARSHALL: At the end of the utilities.

Mr. POWER: It is guaranteed, is it not?

Mr. MARSHALL: In so far as it is guaranteed; I am not posted on that for the moment; whatever is guaranteed will be under public debts, and the remainder, if any, will be under this item.

Mr. GEARY: Under public debt. Where is it?

Dr. COATS: Well, in the first statement we made yesterday.

Mr. GEARY: You mean the day before?

Dr. COATS: In the public debt.

THE CHAIRMAN: Now, is there any further discussion on non-manufacturing companies?

Mr. MACMILLAN: Under what head would investment trusts be included, Dr. Coats?

Dr. COATS: I think under financial, the third category.

Mr. MACMILLAN: In the \$169,000,000?

Dr. COATS: Yes, in that \$169,000,000.

Mr. MACMILLAN: Have you any idea how much money is invested in investment trusts in the country?

Dr. COATS: We have not got the figures here, but we could tell you.

Mr. MACMILLAN: I think it would be very interesting to hear.

The CHAIRMAN: Now then, bank loans.

Dr. COATS: Gentlemen, the bank loans statement does not require any explanation. It is taken from the usual monthly bank statement, with two items omitted: "Loans to government", because that is already taken care of in the debtors' statement; also "loans elsewhere than in Canada." Those are not entered. The three items as set forth in this make a total of \$1,059,000,000, and those are taken directly from the bank statement.

Mr. GEARY: Dr. Coats, would you mind—I think Mr. Lawson asked the question, but I didn't hear your answer. Under three, utilities, power companies, \$473,000,000, what place do institutions like the Toronto harbour and the Toronto Hydro-Electric Commission take in that, because they are inter-related—guarantees by municipality and government.

Mr. MARSHALL: The Hydro-Electric is not included here. It would be included in the statistics which were given the last day, because these are guaranteed by the Ontario government.

Mr. HACKETT: And the harbour commission.

Mr. MARSHALL: The harbour commission is in the same category.

Mr. MACMILLAN: Would it be possible for us to get a statement in reference to investment trusts to date, the first organization of such character of those bonds, and the amount of capital invested?

The CHAIRMAN: I would suggest that a member wishing to get information of that kind should go to the Bureau privately; that is without the scope of our inquiry, and I do not think it is pertinent to the discussion at all.

Mr. HANSON: I think you are right. It is not in the order of reference. It is a very live question. At the same time it does not come within the scope of the reference.

Mr. MACMILLAN: If you will look at the reference, you will find that it includes everything, almost including the kitchen stove.

Hon. Mr. STEVENS: I think we should make clear to the Committee that Dr. Coats and his staff are not permitted to give private information, or information of private concerns. That is a question which could only be divulged for instance, to a court of law, or under some very special order. I merely mention this in explanation of the duties of the Bureau. The Bureau is committed to very serious obligations of secrecy and confidence; otherwise they could not get or assemble these general statistics. The general picture can be given, that is of classifications and so forth but not the information regarding loans of the company and indebtedness.

Mr. HANSON: Not individual companies.

Hon. Mr. STEVENS: No.

Mr. HANSON: That is quite right.

Hon. Mr. STEVENS: The same as in the Customs. No business of a private company is divulged by the Government at any time under any circumstances, except, of course, under an order of the court or something of that kind.

Mr. HANSON: Yes.

The CHAIRMAN: Now, the question of farm mortgages.

Mr. STITT (Selkirk): Might I ask a question, Mr. Chairman: Is the amount of bank deposits to be included as a debt owing to the public?

Mr. LAWSON: If it is, it is duplicating the loans. Substantially these loans are made from bank deposits, so if you put in bank deposits owing to the public, you are duplicating it by \$59,000,000.

Mr. STITT (Selkirk): A lot more than that.

Mr. GEARY: Every time you make a loan, you increase bank deposits by the same amount.

Dr. COATS: That is what we are seeing every day. Most of the loans immediately reappear in deposits. When a man obtains a line of credit from the bank in the form of a discount of his note, he deposits the proceeds of his note which swell the amount of deposits at the same time as it swells the loan account.

Mr. HACKETT: Is that correct in Quebec where farm loans still come from the *rentier*, and the small man in the village who has retired from the farm?

Dr. COATS: From the bank.

Mr. HACKETT: It is not from the bank.

Dr. COATS: We are not talking about that in this item.

Mr. GEARY: I think it is well to get this information, but I think we ought to be very careful that it is not exaggerated information. I do not mind getting all the debts of the country exposed in proceedings in this Committee, but if there is any danger of duplication, of showing a worse picture (it is bad enough), —showing a picture worse than it is, then I think we should be very cautious.

Dr. COATS: We have tried to safeguard against that in every way possible.

Mr. SPEAKMAN: I may say that one of my reasons for asking to get this information was because statements have been made from time to time all over the country of all kinds of figures, that I knew were not correct, and I wanted to get something correct.

Dr. COATS: I don't think there is any possibility of duplication in the three items we have given under the heading of bank loans. If we gave deposits, there would be.

The CHAIRMAN: Farm mortgages. Will you say something about that item, Dr. Coats?

Dr. COATS: The information that we have given in this statement with regard to farm mortgages was obtained at the last census—

The CHAIRMAN: Order, please, so that we can hear Dr. Coats.

Dr. COATS: When the following question was asked: "Total mortgage on this farm, June 1, 1931." The form of the question is given on the paper I have given to you. In the instructions to the enumerators, it was pointed out —you will see the instruction quoted:

The mortgage debt to be reported under Inquiry 31 includes not only the debt secured by an instrument called a "mortgage" but also debts protected by deeds of trust, judgments, or by any other legal instrument that partakes of the nature of a mortgage and which has the same legal effect.

The answer to this question should not include any debts covered by crop liens, nor any debts secured by liens on implements and machinery or on live stock. It has reference only to a debt secured by a mortgage, or by an equivalent legal instrument on lands and buildings.

The total sum as reported under this question was \$677,000,000, and odd thousands. Now, there is just one omission in that figure—at least there is an apparent omission in it, as the question was asked only from the owners of farms. It is obviously impossible to get a statement of the mortgage on a farm from a man who has rented it, so this does not include mortgages on rented farms. The number of farms that reported mortgages, or other instruments, against the land and buildings was 654,279. There were 244,201 mortgaged to the extent of \$677,564,100. There were 74,382 rented farms, and on the matter of mortgage indebtedness on rented farms, we do not know anything.

Mr. HANSON: Just in that connection, in which category, if any, do you place farms held under agreements of sale?

Dr. COATS: Well, the instructions were as I have just read, that where there is an agreement of sale, as in the west under the farm system, it is really a mortgage. The enumerators were instructed to get that.

Mr. HANSON: That was included?

Dr. COATS: Yes, it was included.

Mr. HANSON: Intended to be included.

Dr. COATS: Well, it was within the terms of the question. Of course, in the east, I think agreement of sale has a somewhat different meaning. It sometimes means something equivalent to an option. Of course, anything in that nature would not be included.

Mr. HANSON: We have agreements of sale. A man going into possession under them and agreeing to pay a certain amount of cash and giving a mortgage.

Dr. COATS: This question was inserted at the last moment on the schedule at the request of western farm organizations largely. The form of the question had to be reduced, had to be boiled down, to the narrowest possible limit in order to get it on the sheet, and we therefore asked it in the form I have described.

Mr. SPENCER: Could we get from your bureau the percentage of farm loans in the prairie provinces compared with elsewhere in Canada?

Dr. COATS: Oh, yes. We have already issued a report which gives the figures of each province.

Mr. SPENCER: We would like to get that.

Dr. COATS: I will give it to you. As a matter of fact, I have two or three here. This is a bulletin we issued some little time ago showing the mortgage debt by provinces. I will be very glad to give you a copy.

Mr. POWER: Have you the figures there showing the number of farms that are not mortgaged?

Dr. COATS: Yes. The total is about 410,000.

Mr. SPENCER: Will this be included in the general blue book from the bureau?

Dr. COATS: Yes; that is a preliminary statement. We propose bringing out a separate volume giving the full details of the census of agriculture, and it will be in that.

Mr. HACKETT: Is the figure which you gave, 244,000, the total number of farms mortgaged in the Dominion, exclusive of the seventy odd thousand which are rented?

Dr. COATS: Yes. 728,661 farms altogether is the total number. Those are 654,279, owned or partly owned and then there is 74,382 which are rented.

The CHAIRMAN: Will you give the figure of the number mortgaged?

Mr. HACKETT: About 30 per cent are mortgaged, then?

Dr. COATS: Well, whatever 244 is of 728.

Hon. Mr. EULER: Is that information as to the number of mortgages and the amount of mortgages gotten from the owners?

Dr. COATS: Yes, only from the owners, not from the renters. We did not collect it in the case of farms occupied by a renter, the assumption being that he would not know whether there was an encumbrance on the farm or not.

Hon. Mr. EULER: I mean, you regard the information as accurate, although it comes from people who might not be disposed to give that information?

Dr. COATS: Well, we have no reason to doubt the accuracy of this figure. I presume there is a reluctance on the part of some to state the total amount of their indebtedness. I think it is less now than it used to be in years past.

Hon. Mr. EULER: That is the way you got it, though?

Dr. COATS: That is the way we got it.

Hon. Mr. STEVENS: There was no great difficulty.

Dr. COATS: There were very few difficulties experienced in taking census. We run across all sorts of people, and it is astonishing the number of objections that are taken.

Hon. Mr. EULER: Women giving their ages?

Dr. COATS: There is a great deal of objection to that, yes. I do not think there are more than a dozen—well, certainly less than 25 agriculturists in the whole of Canada who wrote to us. We had, I think, perhaps that many cases of farmers who wrote to us sending the information and refusing to give it to the enumerator; but it was a mere drop in the bucket.

Mr. BOWMAN: Your figures would show the owned and partly owned farms on which returns have been made, and it would indicate that the mortgage runs to about \$1,000 a farm.

Mr. HANSON: What is the average?

Mr. BOWMAN: You have 654,279 owned and partly owned farms, and the total amount of the mortgage indebtedness is \$677,564,100, or an average of about \$1,000 a farm on all farms.

Mr. HANSON: The average mortgage is much higher than that.

Mr. HACKETT: \$2,713.

Dr. CUDMORE: We made the figure \$2,775.

The CHAIRMAN: That is the average.

Dr. CUDMORE: Yes.

Mr. SPEAKMAN: Under the heading of partly owned farms, would come those that were being purchased by the farmer under an agreement of sale from some land holding company. That was a doubt in my mind. I had a doubt in my mind as to whether or not farms that were still held by the vendor, who may be a land holding company or land selling company, but occupied by the farmer who was buying it under an agreement of sale, were classed as mortgages.

Dr. COATS: Well, I think perhaps that it so; and there is also the case of people operating more land than they own.

Mr. SPEAKMAN: Yes.

Dr. COATS: But we asked them only in each case to give information as to the land that they owned.

Mr. GEARY: The information was obtained on the farm?

Dr. COATS: Yes, by a personal visit of the enumerator.

Hon. Mr. EULER: There is a much smaller percentage of farm mortgages than one would expect, if they told the truth.

Hon. Mr. STEVENS: It is a very good showing.

Mr. HACKETT: Dr. Coats, only about sixty per cent of the farms appear to be mortgaged. Is there a larger percentage of free farms in the eastern provinces than in the west?

Dr. COATS: Yes, I think that is so, Mr. Hackett. I can send you a report and an analysis of these figures by provinces, with a lot of other interesting data. Here are the percentages.

Mr. SPENCER: What page?

Dr. COATS: Page seventeen. Ontario 41, Manitoba 42, Saskatchewan 49, Alberta—

Mr. HACKETT: How many are there in Quebec?

Dr. COATS: The figure for Quebec is 32.

Mr. HANSON: And the Maritime provinces?

Dr. COATS: New Brunswick 17, Nova Scotia 10, Prince Edward Island, 33.

Hon. Mr. EULER: I suppose the reason is you got your Maritime rights?

Mr. HANSON: The reason is the people are more thrifty.

Dr. COATS: I should be very glad to send a copy of this to the members of the Committee.

Mr. HANSON: I certainly would like to have one.

Mr. MORAND: Might I suggest the size of the farm is the size of the mortgage respectively in each province—I do not mean individually—the percentage would also be down.

Dr. COATS: Yes, that is shown.

The CHAIRMAN: Dr. Coats, will you say something about urban mortgages?

Dr. COATS: Well, the statement I have given there, includes three items on which we have fairly satisfactory data. There are two items remaining, under the heading of private debt, on which there must be very largely guess-work. One is urban mortgages, and the other is book debts. Now, on the subject of urban mortgages, we are informed by the secretary of the Dominion Mortgage Association that the total amount of mortgages on urban property held by corporate vendors directly, or for clients, amounts to \$765,000,000. That does not at all include the mortgages in urban property held by private individuals.

Mr. HANSON: Or on farm property held by private individuals.

Dr. COATS: We have it on farm property.

Hon. Mr. EULER: Does your census schedule not call for information along that line?

Dr. COATS: No, we did not ask for mortgages on city property on the city schedule. Part of our reason for not putting it on was the owners of larger city properties were not visited by census enumerators. The mortgages that are on large apartment buildings and large hotels are usually covered by bond issue, and we know about those through our investigation into bonds issued. Then, there is the prevalence of renting in the cities, which is very high, very large, and we were of the opinion that there would be so big a hiatus in the data that it was not worth while trying to get it. The United States census tried to get it, and got unsatisfactory results. That is in the case of urban properties, urban homes.

Hon. Mr. EULER: Our percentage is higher than the States in relation to the farms?

Dr. COATS: Those figures would show so, yes, but I think that is largely due to the insufficiency of United States figures on urban mortgages, which only applies to homes, you see.

Mr. ARTHURS: Where is the dividing line between urban and rural?

Dr. COATS: We have difficulty with that. We call urban anything incorporated: city, town or village; but that involves certain inconsistencies between certain of the statistics as between provinces, because of the different provincial laws governing the minimum amount of population needed to incorporate a village. So if our statistics, for comparative purposes seem larger, it is because we call everything over a thousand urban, and under a thousand rural.

Mr. ARTHURS: Does that mean, Doctor, that all loans made in communities of less than one thousand would be included in farm mortgages?

Dr. COATS: No, it is rather on farm property, not on village property. There is one other figure that is a little low on urban mortgage, but I think it

is included in our other figure. The insurance companies show a total of \$437,000,000 on urban mortgages—no, \$437,000,000 altogether, of which \$360,000,000 are on urban properties, but these insurance companies are members of the Dominion Mortgage Association, I think.

Hon. Mr. EULER: Insurance companies hold mortgages on only 437 properties.

Dr. COATS: \$437,000,000 worth of mortgages held by insurance companies.

Hon. Mr. EULER: I thought you corrected it and said 437 properties.

Dr. COATS: No, \$360,000,000 of those mortgages are on urban property, and \$77,000,000 on farm property.

Mr. SPENCER: What was the amount again?

Dr. COATS: \$367,000,000 worth of mortgages held by insurance companies on urban property; but that must not be added to the figure given by the Dominion Mortgage Association.

Mr. BOWMAN: But it does not include mortgages on private property?

Dr. COATS: Yes, that is what it is, on private urban property.

Mr. GEARY: There is nothing wrong with that, Dr. Coats. I think you will find almost as many mortgages held by private persons whose income is derived from holding those mortgages.

Dr. COATS: Precisely. That is what I began by saying, that we had not the total figure, because nobody can give it. There is no information available on that, I think, in any way, shape or form as to the amount of individual mortgages held on urban property by private persons. If I had a mortgage on your city property, it is known only to you and me.

Mr. GEARY: Can you split that figure at all?

Dr. COATS: No.

Mr. GEARY: I should like to know that. I should like to know how many farm mortgages there are held by private persons.

Dr. COATS: No, I have no information. I was saying if I had, for example, a mortgage on your farm, that would be in our total farm mortgages, but if I had a mortgage on your city property, or city home, then nobody knows that except you and me.

Mr. GEARY: Except it be by corporation.

Dr. COATS: Yes, if I work it through that way; but there are a great number of mortgages the other way.

Mr. GEARY: The point I was making is, we must not get a one-sided view of this mortgage situation. We will later discuss rates of interest. While mortgage companies are mortgagees in a great many instances, one must not forget that private persons, whose whole income depends on that source, are mortgagees also. We may consider government interest rates in regard to corporations, but we must bear in mind that many private persons depend for their living upon the interest which they get from making investments in mortgages.

Mr. GANONG: A good many mortgages are held by American companies. We know the situation in regard to bond issues, but there are a great many mortgages held in that way. Have you any information in that regard?

Dr. COATS: We do not know anything about that. We know how many bond issues are held by American companies.

Mr. MACMILLAN: Have you an analysis of the mortgage moneys loaned to corporate interests by provinces?

Dr. COATS: Loans by whom; by corporations?

Mr. MACMILLAN: Yes.

Dr. COATS: We do know those, the figures I gave you. The first figure I gave, \$765,000,000, that represents loans on city properties by the various concerns, who are members of the Dominion Mortgage Association.

Mr. MACMILLAN: Have you a further analysis of the amount by provinces?

Dr. COATS: I daresay. I have not got it here, but I think it is available. The figure I am giving you is not a figure of the Bureau of Statistics; it is a figure furnished us by the Dominion Mortgage Association as a figure of their entire business in urban mortgages.

Mr. HACKETT: Do you say you have no record of the proportion of mortgages held by American lenders. I think that is important, because all along the border, the American banks usually take a security on real estate. They have been investing heavily in mortgages.

Mr. HANSON: In Canada?

Mr. HACKETT: Yes.

Hon. Mr. STEVENS: The aggregate would not be very much.

Dr. COATS: There might be a slight infusion of that in our farm mortgages. If a Detroit bank has a mortgage on a farm in Essex county, and we obtain from our enumerators on that farm in the census the total farm indebtedness of that farmer, then it is in our return under farm mortgages.

Mr. HACKETT: It is not ear-marked, or there is no way to ear-mark it?

Dr. COATS: No way to ear-mark it as to the whole of the mortgage owing.

Mr. BOWMAN: Coming back to the farm mortgages, have you any record of the average interest charged on those mortgages? Have you figured out the average interest rate? The average interest rate charged on those farm mortgages is represented by the return set out on page 3?

Dr. COATS: Our figures for that are not yet compiled, and they are rather imperfect. I cannot give it to you at the moment. We hope to get it, but I think it is too low at the moment. We have to do some further investigating.

Mr. GEARY: Are you going to get it year by year?

Dr. COATS: We would get the total amount of interest paid, from which the average rate would be shown.

Mr. GEARY: Year by year?

Dr. COATS: For the particular year in which we took the census. We asked it in a question on the census. It was a rather difficult question because persons who were behind in their interest knew they had not paid the interest and our question really was the amount of interest paid or to be paid. In some cases they took it for the amount of interest paid—at least I imagine that is the case—there were a considerable number of returns which said “nil” and clearly that was a mistake. If it was not paid, it was not paid.

Mr. ARTHURS: I presume you have the average rate of the mortgage corporations.

Dr. COATS: I think that could be obtained, yes.

Mr. BOWMAN: I think that would be the better source from which to get it.

Mr. HACKETT: Did you say you have no information as to the amount owing to individuals as distinct from corporations?

Dr. COATS: No.

Mr. HACKETT: You have not?

Dr. COATS: No.

Mr. HACKETT: You have no such information?

Dr. COATS: No.

Mr. SPEAKMAN: With respect to interest, I thought we had in mind—I certainly had—that we were to ascertain all the information we could from Dr. Coats, and then by calling outside witnesses, we could obtain supplementary information.

Dr. COATS: I was just going to say we are not now dealing with the subject of interest rates. That comes up in question No. 3, Mr. Speakman, and it is only incidentally that reference to it was made here.

Mr. HACKETT: Have you obtained information from the registry offices concerning the amount that is owing to individuals and corporations?

Dr. COATS: No. We cannot obtain that from the registry offices. The registry offices keep records only of their transactions as they go along. They have no cumulative data. They have no means of knowing the amount of outstanding mortgages at any time.

Mr. HACKETT: I was not talking about the amount, I was talking about whether the lender is an individual or a corporation.

Dr. COATS: No, they do not classify them in that way. It is not available from the registry office. They merely keep a record of the business they do from day to day and year to year.

Mr. HACKETT: Are there no figures showing the percentage of mortgages held on various farms by the various farm loan boards, for instance?

Dr. COATS: Yes.

Mr. HANSON: That, of course, should be available.

Dr. COATS: For instance, we have the report of the Saskatchewan Farm Loan Board.

Mr. HANSON: The Farm Settlement and Loan Company of New Brunswick?

Dr. COATS: Quite so.

Mr. HACKETT: Giving the proportion?

Dr. COATS: I do not remember. The farm report is quite a thick and voluminous report. I happened to have the Saskatchewan report not long ago, and it was pretty thick.

Mr. BOWMAN: It is very difficult for Dr. Coats to give us that picture.

Mr. GEARY: Would there be anything to show the difference, if any, in a person borrowing in 1914 and paying back in 1924, or 1925, and a person borrowing in 1924 and paying in 1934?

Dr. COATS: Not from our figures. The only figures we have—we never attempted to keep those figures before 1931. We have no corresponding figures before that with regard to the past.

Mr. GEARY: There is nothing in your statistics to indicate the difference?

Dr. COATS: No.

Mr. GEARY: In regard to the situation of a man who borrowed in 1914 or 1925, each one payable five years later?

Dr. COATS: No; we have nothing directly available on that and it would be a very difficult undertaking to analyze a list to see the year in which they were floated. The price index measures very correctly, and that taken in conjunction with what is well known to be the prevailing rate of interest in those years, would indicate what you are after. One knows what the farmers paid in the way of interest rates in 1914, and we also know what the prices were in that year, whether up or down—

The CHAIRMAN: I would suggest we now leave the question of interest. We must deal with it later. We are now dealing with the question of private debts.

Mr. HANSON: In addition to the interest rate paid by the farmer, have you any data of the service charge, so called, paid by the farmer?

Dr. COATS: Well,—

Mr. HANSON: For rentals of his land, and things like that.

The CHAIRMAN: That will come under another heading.

Mr. BOWMAN: Did I understand Dr. Coats to say there was one more item of indebtedness?

Dr. COATS: There is the subject of book debts. We know that last year in Canada there were about 25,000 producing industrial concerns; we know there were about 170 trading concerns, and we know there were about two and a half million families. Now, every one of those has a probable debt, some sums in the form of book debts on the books of somebody else, but there is no means whatever of knowing them exactly.

Mr. HACKETT: Do you make any distinction between direct liability and collateral liability?

Dr. COATS: No; I was thinking of book debts, which are hand-to-mouth debts, as it were; that is, the ordinary family owes the butcher and the baker, and so forth, and there are two and a half million families in Canada, and you have an idea of a family's ordinary indebtedness, as well as I have.

The committee adjourned at 12.30 o'clock, to meet again at the call of the Chair.

APPENDIX "D"

A. STATEMENT OF BONDED INDEBTEDNESS OF CORPORATIONS

I	Railways exclusive of bonds guaranteed as to principal or interest	\$ 919,000,000
	Canadian National Railways	\$ 229,000,000
	Canadian Pacific Railway	620,000,000
	Other	70,000,000
		<hr/>
		\$ 919,000,000
II	MANUFACTURING COMPANIES	
	Total	\$ 498,092,379
	Vegetable products	\$ 50,783,375
	Animal products (except textiles)	16,044,042
	Textiles	23,829,440
	Wood and paper products	241,915,089
	Iron and its products	87,786,212
	Non-ferrous metals	25,038,300
	Non-metallic minerals	13,544,300
	Chemicals and allied products	29,869,261
	Miscellaneous manufacturing industries	9,282,360
III	NON-MANUFACTURING COMPANIES	
	Total	\$ 680,422,720
	Utilities (power companies, tramway companies, etc.)	\$ 473,312,839
	Mines	37,363,758
	All other (includes merchandising, financial and service corporations)	169,746,123
IV	Grand total	\$ 2,097,515,099

B. BANK LOANS

Statistics of bank loans in Canada may be obtained as at the end of any month from the monthly bank statement. While there are six items in the bank statement that are described as loans, one of these is "Loans to Governments," a figure already taken care of in the debtors' statement, while two others deal with "Loans Elsewhere than in Canada." The items regarding loans within Canada are "Call and Short Loans in Canada," "Other Current Loans and Discounts in Canada" and "Non-Current Loans." The total of these three items as at January 31, 1933, the date of the last bank statement, was \$1,059,269,650. The items are as follows:—

Call and Short (not exceeding thirty days) loans in Canada on stocks, debentures, bonds and other securities of a sufficient marketable value to cover	\$ 99,998,855
Other current loans and discounts in Canada	945,740,389
Non-current loans, estimated loss provided for	13,530,406
	<hr/>
	\$ 1,059,269,650

FARM MORTGAGES

At the census of 1931, the following questions with reference to farm mortgages were placed upon the agricultural schedule to be answered in respect of all owned farms:—

Total mortgage on this farm, June 1, 1931	\$
Interest paid in 1930	.....

The report was asked for only for owned farms, as tenants in many cases would not know whether their farm had been mortgaged by its owner or not.

As the result of this investigation, it was ascertained that out of a total of 654,279 owned and partly owned farms in the Dominion, 244,201 were mortgaged to the extent of \$677,564,100. In the instructions to census enumerators, it was pointed out that:—

The mortgage debt to be reported under Inquiry 31 includes not only the debt secured by an instrument called a "mortgage" but also debts protected by deeds of trust, judgments, or by any other legal instrument that partakes of the nature of a mortgage and which has the same legal effect.

The answer to this question should not include any debts covered by crop liens, nor any debts secured by liens on implements and machinery or on live stock. It has reference only to a debt secured by a mortgage or by an equivalent legal instrument on lands and buildings.

It will be noted that the figures of farm mortgages apply to "owned" farms only. Undoubtedly the figure of \$677,000,000 would be increased if it had been possible to include mortgages on rented farms (which numbered 74,382 in 1931), though rented farms are probably not mortgaged to the same extent as owned farms. It seems probable that the grand total of all farm mortgages in Canada would reach \$700,000,000.

The above figures, of course, do not include sums owed by the farmer as arrears of taxes nor sums owed to the banks or to implement companies. The former might be found among the assets of municipalities but arrears of taxes have doubtless helped indirectly to swell the liabilities of municipalities in recent years and may thus be considered as included in governmental debt. The debts of the farmer to the bank are, of course, included in the figures of bank loans.

SESSION 1932-33

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

THURSDAY, MARCH 23, 1933

Order of Reference: *Re Debts and Interest Rates.*

WITNESSES:

Dr. R. H. Coats, F.S.S., Dominion Statistician.

F. P. Varcoe, Esq., K.C., Senior Advisory Counsel, Dept. of Justice.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1933

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

THURSDAY, March 23, 1933.

The Select Standing Committee on Banking and Commerce met this day at 11 a.m. Mr. R. C. Matthews, chairman, presided.

Members present: Messieurs Arthurs, Baker, Bowman, Casgrain, Donnelly, Euler, Fafard, Gagnon, Ganong, Howard, Hurtubise, Irvine, Lawson, Mackenzie (*Vancouver Centre*), MacMillan (*Saskatoon*), Matthews, McPhee, Morand, Perley (*Qu'Appelle*), Pettit, Power, Robinson, Sanderson, Speakman, Spencer, Stanley, Vallance, Willis—27.

Dr. R. H. Coats, Dominion Statistician, answered questions arising out of Appendix "D", filed at last meeting.

Discussion followed.

F. P. Varcoe, Esq., K.C., Senior Advisory Counsel, Department of Justice, Ottawa, answered questions re jurisdiction submitted to Deputy Minister of Justice. (For questions, see page ix, Minutes of Proceedings, No. 1).

There was read a copy of a letter from the Attorney General of Nova Scotia in which were answered the same questions. (For letter, see Appendix "E", herewith).

The Committee adjourned to meet at the call of the chair.

T. L. McEVOY,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

THURSDAY, March 23, 1933.

The Select Standing Committee on Banking and Commerce met this day at 11 a.m., Mr. R. C. Matthews, Chairman, presided.

The CHAIRMAN: I shall ask the Clerk to read a communication which has been received from the Secretary of State.

The CLERK: The Secretary of State forwards a letter which was received by him from the Provincial Secretary of Nova Scotia. (Reads). (For letter, see Appendix "E").

The CHAIRMAN: At the last meeting of the Committee, Dr. Coats submitted a statement on bonded indebtedness on corporation, bank loans and farm mortgages, which has been published as Appendix D to the Proceedings and Evidence. At that time, a memorandum on private debts was distributed to the committee. Before passing from that subject, I have arranged with Dr. Coats to answer any questions that members may wish to ask him in regard to the memorandum presented at that time. At the next meeting, if Mr. Varcoe completes his submission this morning, we shall take up item No. 3 of Mr. Speakman's memorandum, and discuss rates of interest. Are there any questions to ask Dr. Coats in regard to the memorandum on private indebtedness?

Mr. SPENCER: I should like to ask if Dr. Coats included the amounts loaned under the Long Term Loan Act?

Dr. COATS: I am not sure that I quite grasp what you are asking, Mr. Spencer.

Mr. SPENCER: I want to know if you have included the amount loaned under the Long Term Farm Loans Act.

Dr. COATS: In the statement of farm mortgages?

Mr. SPENCER: Yes.

Dr. COATS: The statement I gave on farm mortgages was based on a return collected at the census of 1931 as a result of a personal visit of the enumerators to every farm in Canada. One of the questions they asked has reference to the mortgage indebtedness of the farm, which would include all mortgages from whatever source the money was obtained.

The CHAIRMAN: The statement Dr. Coats has given is a result of information obtained by enumerators in the census of 1931.

Mr. BOWMAN: You are referring to the mortgage census, Mr. Chairman.

The CHAIRMAN: Yes.

Mr. BOWMAN: Is that the matter under discussion now?

The CHAIRMAN: As I have intimated, Dr. Coats is here to answer any questions in regard to the memorandum distributed last week. I do not want any member of the Committee to feel that ample opportunity was not given him to ask questions.

Mr. STANLEY: Mr. Chairman, I regret that I was not able to stay until the meeting was concluded last week. In regard to mortgages on urban properties, are those figures included in the memorandum or is there any method of securing

that information from Dr. Coats' bureau? What steps are to be taken to give us information along that line, or does the Committee consider going into that phase of the question of debt?

Dr. COATS: At the last meeting I gave a figure as supplied by the Dominion Mortgage Association. They supplied us with the amount of their outstanding mortgages on urban properties. The total was \$765,000,000.

Mr. STANLEY: Where is that?

Dr. COATS: It is in my evidence of the last day's proceedings.

The CHAIRMAN: It will be found at page 25.

Dr. COATS: It is not in the memorandum I submitted.

Mr. STANLEY: I have it.

Dr. COATS: \$765,000,000. I may say, since our last meeting, I have had a letter from Mr. Appleton, the secretary of the Dominion Mortgage and Investment Association, to whom I have sent a request that he separate, if possible, this \$765,000,000 by provinces. He has, as of March 10, been able to separate \$571,000,000 by provinces, and he hopes to be able to bring that figure higher. I can give you the figures as separated for \$571,000,000 of the \$765,000,000, but perhaps it would be well to leave that for the moment.

Mr. BOWMAN: I think it would be all right to put it on record, and get the rest later.

Dr. COATS: Very well. Shall I read the figures by provinces? British Columbia, \$37,014,200, making 6.47 per cent; Alberta, \$10,953,265, making 1.91 per cent; Saskatchewan, \$17,461,525, making 3.05 per cent; Manitoba, \$40,740,694 making a total of 7.12 per cent.

Mr. SPENCER: Forty millions?

Dr. COATS: \$40,740,694, making 7.12 per cent; Ontario, \$229,564,046, making 40.14 per cent; Quebec, \$233,862,151, making 40.9 per cent; Nova Scotia, \$1,210,204, making .21 per cent; New Brunswick, \$1,163,686, making .2 per cent; Prince Edward Island, \$3,432,—Prince Edward Island obviously is very incomplete.

Mr. STANLEY: How wide, or how large, a proportion of the probable loans is included in the figures given by the Dominion Mortgage Association; is there any way of knowing?

Dr. COATS: No. As I think I explained at our last sitting, the figures that were supplied represent inside that \$765,000,000 pretty inclusively all loans made by corporations. We know, independently, what is included is included in that \$765,000,000; but we also know that the insurance companies have \$360,100,000 on urban mortgages. But undoubtedly a very large factor in the urban mortgage situation are the mortgages that are held by individuals. That is a favourite form of making investments of more or less large sums; and, as you all know, it is done by individuals themselves, and through legal firms. There are legal firms in Toronto that do a very large business of that kind.

Mr. LAWSON: They do practically nothing else.

Dr. COATS: I have heard of one firm that does practically nothing else, as Mr. Lawson says, and whose business runs into very big figures. The proportion of what this \$765,000,000 is of the whole, is something that I know nothing about.

Mr. IRVINE: Are not all those mortgages registered under the Provincial government laws?

Mr. BOWMAN: No.

Dr. COATS: I do not think so, necessarily. I suppose most of them are registered at the local registry office.

Mr. BOWMAN: Or at the Land Titles office, but no record is kept of the amount of the mortgage, except the original amount.

Dr. COATS: It is impossible to obtain those from the registry office. The registry office merely records in annual reports the amount of business they do year by year.

Mr. LAWSON: You would need a staff of several hundred clerks over a period of many years to compute it.

Dr. COATS: It cannot be done at all, as a matter of fact, because the registry offices have no records of the payments made on mortgages. All they know is a certain mortgage is registered at certain times. That is the beginning and the end for the registry office until it is discharged.

Mr. LAWSON: You would be unable to distinguish how many were collateral security on something else. I do not think it would be possible to compute it.

Dr. COATS: Quite impossible. I know many years ago in an attempt to obtain this, I looked into the procedure in registry offices in the various provinces—they differ slightly in each province—

By Mr. Vallance:

Q. When the census was taken last time, according to your statement the other day, showed that 49 per cent of the lands in the province of Saskatchewan were without mortgage. In taking the census, is that question asked specifically, or how do you find it? How would the information be obtained that 49 per cent of the lands in Saskatchewan were without mortgage. I am not doubting your statement, but have you any way, as a statistician, of knowing what percentage of the 49 per cent is actually owned and operated by the owner of the land.—A. Yes, 49 per cent, or whatever per cent it is, is the number of farms that reported to the census enumerators that they were not under mortgage or under any similar liability; that is, under any legal attachment of the nature of a mortgage.

Q. What I want to get at is, that would include all land whether the owner was a railway company, the C.N.R. or the C.P.R., or others who have probably acquired land through the foreclosure of mortgages?—A. The question was asked only of owners, in the case of farms that were owned by the operator.

Q. Are we to understand that 49 per cent of the farms in the province of Saskatchewan, owned and operated by the owner, are without mortgages?—A. That is what our figures show.

Q. Surely, Doctor, that is not correct?—A. I have not our report before me.

Mr. LAWSON: The figures are in a previous report.

Dr. COATS: If Mr. Vallance would look at our report—I mean this report on farms issued by our Bureau.

Mr. DONNELLY: It is in this blue report.

Mr. VALLANCE: I have not seen this.

Dr. COATS: That report gives the figures you are asking about.

Mr. VALLANCE: On this particular question, in dealing with the matter on the floor of the house, the Prime Minister astounded me, and I challenged his statement, that 49 per cent of the farm lands in Saskatchewan were without mortgage. And I now ask you, do you say that 49 per cent of the owner operated farms in Saskatchewan are without mortgage?

Dr. COATS: Well, I am saying if it is in that report, it is so. I have not the report before me. Is it?

Mr. LAWSON: Whatever was stated was the percentage.

Mr. MORAND: Forty-nine is the per cent given.

Dr. COATS: Then that is right.

Mr. DONNELLY: This does not include agreements of sale. The point about it is that there are hundreds of farmers out there that do not own anything in their farm at all. They bought land on half crop payments from the C.P.R., and they have no equity in the farm at all; they have an equity of a thousand dollars, and this is all; and as far as that is concerned it is clear title land, all owned by the C.P.R. but the farmers operating the land, have no mortgage against the farm. They have only agreements of sale, and they are paying under agreements of sale.

Mr. BOWMAN: That is not the information we got the other day on the subject.

Dr. COATS: May I explain the question that was asked on this census schedule on this point. On the farm schedule which was taken by an enumerator to every farm, this question appears:

The total mortgage on this farm, June 1, 1931,

with a blank to be filled in. Now, he was asked to obtain the interest paid in 1930. This instruction was given to the enumerator:

This question must be asked of all farm operators who own all or part of the land they operate, but not of tenants or managers.

The reason we do not ask tenants and managers is that they have not the information, and they would guess it.

If the amount of the mortgage reported under Inquiry 31 exceeds the total value of the land as reported under 28, the enumerator should state the reason in the margin of the schedule;

that is if there was anything in it that looked like a foolish answer.

The mortgage debt to be reported under Inquiry 31 includes not only the debt secured by an instrument called a "mortgage" but also debts protected by deeds of trust, judgments, or by any other legal instrument that partakes of the nature of a mortgage and which has the same legal effect. The answer to this question should not include any debts covered by crop liens, nor any debts secured by liens on implements and machinery or on live stock. It has reference only to a debt secured by a mortgage or by an equivalent legal instrument on lands and buildings.

Mr. LAWSON: That is about as broad as one can make it.

Dr. COATS: Those instructions were given to the 15,000 odd enumerators that we employed, to govern their actions in getting this particular information.

Mr. VALLANCE: Then, the question has been prompted from behind as to what is the percentage of tenant farmers in Saskatchewan—you state in the instructions to the enumerator that he do not consult tenants.

Dr. COATS: He should not.

Mr. VALLANCE: So that farms that are now being operated by tenants do not enter into these figures?

Dr. COATS: Quite so.

Mr. VALLANCE: All right. That is 50 per cent of the land in Saskatchewan, in my opinion.

Dr. COATS: Well, we could tell you exactly what it is, from our report.

Mr. LAWSON: The report gives you the percentages.

Dr. COATS: I think the total number of tenant farmers is 70 odd thousand in Canada. I am speaking from memory.

The CHAIRMAN: In Canada?

Dr. COATS: In Canada. I don't remember by provinces.

Mr. BOWMAN: Can you tell, from this memorandum, with respect to the province of Saskatchewan?

Dr. COATS: Yes.

Mr. VALLANCE: Would you consider an individual who is operating his farm under a crop lease, to be the owner or the tenant of the land? What do you designate him as, as a tenant, or owner, of the land?

Mr. LAWSON: That is a question for a lawyer, hardly for a statistician.

Dr. COATS: The total number of farms in Saskatchewan was 136,472; the number of tenants was 21,044.

Mr. LAWSON: That is a long way off fifty per cent.

Dr. COATS: The number of owners that were designated is 90,691.

Mr. VALLANCE: That is what I asked you; in the instructions to your enumerators, what is designated as a tenant? Is a man operating a farm on a crop lease basis recognized as a tenant or owner of the farm?

Dr. COATS: Well, gentlemen—

Mr. VALLANCE: That operator has no legal status; that is the difficulty.

Dr. COATS: You must remember, gentlemen, that this question—we could not begin to instruct our enumerators on the legal questions, the innumerable points of law that come up in connection with any industry. I assume that what the ordinary enumerator did in filling out his schedule was to ask the farmer, "Do you own this farm?" And if the farmer said, "Yes," it was assumed that he did. And if the farmer said, "No, I am only a tenant," or I am only this, that or the other, then he was put down as such and so.

Mr. VALLANCE: So that a farmer operating under a crop lease is put down as the owner; that would be assumed?

Dr. COATS: Would you think so? I could not answer that question.

Mr. BOWMAN: Not at all.

Mr. DONNELLY: I myself have half a dozen farms sold to people that have not a dollar in them—under half crop payments—and they have not a dollar in the land or in the property, and yet they are put down as owners, although these people have not a dollar in the land at all.

Mr. BOWMAN: And it is sold subject to mortgage too.

Mr. DONNELLY: They have not the deed of the land. I have the deed of the land. They have the property.

Mr. HOWARD: May I ask Dr. Coats a question: according to his own figures that he gave us, the figures stated there, 136,472 farms in Saskatchewan—

Dr. COATS: Yes.

Mr. HOWARD: Then you have your tenant farmers, which you said were 21,044.

Dr. COATS: Yes.

Mr. HOWARD: And your owned farms, 90,691; adding the two together, one can see other farms coming in some other category.

Dr. COATS: Yes, There are two other categories. There are a number of part owners and part tenants. There are 24,737 of part owners, part tenants.

Mr. DONNELLY: What page is that?

Dr. COATS: It is on page 17 of this interim report.

Mr. VALLANCE: That would take in a farmer who probably owns his homestead, for instance, and rents some other land adjoining his homestead.

Dr. COATS: Yes.

Mr. VALLANCE: That would cover him. It does not take care of the fellow I have asked you about, who is operating under a crop lease. I do not wish

to press the point, but the thing I am trying to get is that these figures—I do not doubt the sincerity of the compilation of the figures, I think those who compiled them were sincere—but they can be misleading. I do not think they are true as far as the province of Saskatchewan is concerned. If 49 per cent of the land in the province of Saskatchewan is without mortgage, why have we to pay so much in farm relief to-day? Why, these fellows could go and borrow money on the land, if they have 49 per cent clear of mortgage. The thing appears to me to be ridiculous.

Dr. COATS: Now, the only way to prove the accuracy of the census figures is to give me specific cases. We are constantly met with just such statements about all census figures; and I hope you will not think that I am exaggerating when I say that nine times out of ten, the census figures are correct.

Mr. BOWMAN: Hear, hear.

Dr. COATS: One of the commonest things that happens on the conclusion of every census, is the statement from this, that, or the other, city, "Oh, you have missed large numbers of our people." Why, in the census of 1921, in the case of Montreal, there was so much agitation against our census figures that the daily press took it up and printed a form in the paper which they asked individuals who thought they had been missed to fill in and send to the city hall. That was done, and the city hall forwarded a number—I think it was twenty odd thousand—of persons who sincerely believed that they had been missed in the census. We found 19,000 of them actually there, by actual search in the records, and we found reason why a great many of the rest should not be there. They were enumerated somewhere else. A man had a house at Hudson Heights and was practising law in Montreal. He was not enumerated in Montreal, but he was enumerated in Hudson Heights. He did not live in Montreal. The census was a *de jure* census, not *de facto* census. I can give you an illustration where Saskatchewan sent in large supposed additions to the census—I think it was 1926—2,000 names of persons who had been "missed." We found 97 per cent of them had actually been enumerated and yet those "missing" names were sent in in all sincerity.

A rather amusing incident occurred in connection with this same thing. I had a visitor—a member of the Senate—who told me, at length, how he had made careful inquiry, and not a member of his somewhat large household could have been enumerated. But every one of them was there—his sister-in-law, a Scotch servant, and two or three others—in full detail. There was not an omitted figure about it, and they were all correct, as he admitted afterwards. Yet he took the trouble to come to my office to advise me, in a perfectly friendly way, that there had been a bad slip up. That is the sort of thing that we are up against in the census.

Mr. IRVINE: Are not there exceptions to the rule.

Dr. COATS: There are.

Mr. IRVINE: I mean a question put by the enumerators cannot exactly cover the whole field? The figure is no doubt accurate enough, as far as the question goes.

Dr. COATS: Unquestionably it is a ticklish question, one of the disabilities we are under—all along the line—in statistical work, is that we have to deal with subjects that are recondite and many sided, highly intricate, filled with all sorts of legalistic phrases, and we have to put it in such a way that the man on the street can answer the question and another man on the street ask it. Take the question regarding nationality in the census. Nationality is one of the most difficult points in law, and yet we have to tabulate it—get data about the nationality of all the people of Canada. This question of ownership, what constitutes ownership, I imagine, is one on which some could write a tolerably long essay. We have to assume, for census purposes, that a man who is asked

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whether he owns his farm, knows whether or not he does; and if he says he owns it, we assume that he does. It may be that under some of the circumstances you mention differences of opinion may arise; one man might think he did own land and another man might think he didn't, under such circumstances.

Mr. VALLANCE: Dr. Coats, have you, within your records, any statistics that will show the percentage of farm lands in the province of Saskatchewan that are owned and operated by the owner? As you state there at the census of 1931—every farm owner in Canada was asked, for the first time, to state the total mortgage on his farm. I suppose that means the owner operator of the farm, does it?

Dr. COATS: Yes.

Mr. VALLANCE: It only says the owner of every farm—of every farm owner.

Dr. COATS: Well, that means owner and operator, because it would be impossible for the census enumerator, in a rural district, to follow up the ownership of land that was held outside.

Mr. VALLANCE: Dr. Coats, these figures you give now are of farm owner operators?

Dr. COATS: Yes, occupiers, the ordinary case where a man owns a farm and is working it himself.

Mr. BOWMAN: Sure.

Mr. VALLANCE: If the Committee will excuse me—I have the privilege of living in one of the very best financially fixed municipalities in the province of Saskatchewan, and I know that those figures will not bear out in that municipality, 49 per cent, even on the land without mortgage, never mind the farm owner operated land.

Mr. MORAND: Perhaps you are like the man from Montreal.

Dr. COATS: There is, unquestionably, in all statistical inquiries, room for error. Now, I might say that we undertook this question in respect to mortgages with extreme reluctance. We thought it over a very long time before we put it on the schedule, and it was only in response to very urgent representations of the farmers' organizations that we did put it on; because there is a natural reluctance, I think, on the part of a good many to disclose personal facts of that kind. There are still some people who think—I feel they are becoming fewer and fewer, I think it is getting easier and easier to ask questions of this kind, because people have come to see that it is a business matter, unlike years and years ago—having a mortgage on a place was something that one did not spread abroad. It is like women and their ages. We know perfectly well that there is a very large percentage of error in the information that is given to the census by women with regard to their ages, but what is given is very valuable information, because the error can be smoothed out. We can adjust the final return to get out the truth. We find when we tabulate certain age statistics of certain people—it is just as true of old men after a certain age—the age is exaggerated. There are far more centenarians that you read in the paper than actually exist. There are very, very few centenarians, but nearly every issue of the newspaper has an account of a man who has had one hundredth birthday. The fact is after a man gets to be ninety he starts to boast about his age, and after a while he comes to believe it, he is apt to make a "century"; and he makes it. But these difficulties get smoothed out, because in the curve that they are reduced to, we see humps for which there is no explanation; we know, in an age curve, that there is no reason why there should be a hump at, say, thirty-five, and then another one at forty. That means that certain ages have got into thirty-five and forty classes that should not be there, they should be distributed to other classes. Nevertheless,

we get tolerably accurate statistics by the application of a proper formula, and proper methods of smoothing out these curves. That, however, is by the way entirely.

This is the first time that this mortgage question has even been asked at the census. We have merely given out the crude figures now. These are just rushed through as the tabulations are made, without any particular examination of them. They are just given for what they are worth in the meantime. We shall later subject them to all the possible means of analysis that we have, and when they are finally published, they will be statistically correct. In the meantime we have no reason to suspect their authenticity.

Mr. SPENCER: I am glad now the question was asked in regard to mortgages. I do feel, as some of the hon. members mentioned here, that the figures are entirely too low; that Dr. Coats probably can check up. But for most of us who live on the prairies, and have for a great many years, and know conditions, we feel that while the enumerator may have tried to get the facts, these figures seem altogether too low.

Mr. MORAND: Has any attempt been made to get information from Mr. Appleton in respect to farm loans, and to check those back against the figures from the census, to see what percentage was corporation and what other per cent would be private loans?

Dr. COATS: We did not; Mr. Appleton would not know more than any of us about private loans.

Mr. MORAND: No; what I was referring to was, if we know the amount that corporations held of farm loans, they would give us the percentage, knowing definitely the census return would give us the percentage of private loans.

Dr. COATS: We have not got that figure here from Mr. Appleton. Of course it would be a very big undertaking to check up from such sources against the information we have got from the farmer. Maybe it could be done, but it would be an enormous undertaking, in the case of individual mortgages.

Mr. MORAND: I mean simply a lump sum would give us the percentage.

Dr. COATS: I have not got that from Mr. Appleton, but we will ask him for it.

Mr. MORAND: It is of great importance, I think.

Mr. BOWMAN: With respect to loans on farms, rural properties, would not you get more or less a check of it by getting a similar statement from Mr. Appleton, similar to this given you with regard to urban property?

Dr. COATS: Yes; I think that would be a good idea. We will do that. Of course, Mr. Appleton will only speak for the mortgages that are placed by the companies in his Association.

Mr. BOWMAN: Yes; it would be subject to the same correction, or by the addition of whatever private mortgages have been placed in different sources.

Dr. COATS: Yes. For instance, we have this fact that might throw a little light on the question just asked. The investment of insurance companies in mortgages totals \$437,000,000, of which urban mortgages account for \$360,000,000 and farm mortgages for \$77,000,000. The total of farm mortgages by insurance companies in Canada is \$77,200,000.

Mr. MORAND: But you have not got the loan companies.

Dr. COATS: No.

Mr. VALLANCE: I notice here in this compilation of figures you have on the values of farm lands, in the province of Saskatchewan, you have got \$29.94 as the acreage value of the land. Is that assessed valuation: is that valuation for taxation purposes, or how did you arrive at the valuation?

Dr. COATS: That is the census valuation. The farmer is asked the value of his farm, and the acreage.

Mr. VALLANCE: And it is averaged on that?

Dr. COATS: It is simply the average derived from that, the total value of the farms in Saskatchewan are taken, and total acreages of the farms comprising them.

Mr. VALLANCE: The reason I ask is that, in the province of Saskatchewan, last year, for the first time in the history of the province, we find them not taking action by way of sale of property for the collection of taxes, but seizing and selling the produce of the farm, because the farm is not worth the taxes that are against it—cannot be sold for them; yet we submit to figures like those of \$29.94 as a valuation, when the land itself will not pay the taxes when put up for sale nobody will buy it for taxes—and they seize the produce of the farm; and this statement goes out throughout Canada, that 49 per cent of the farm lands of Saskatchewan are without mortgage, and at a valuation of \$29.94. Conditions do not prove it—they do not verify those figures.

Dr. COATS: Well, Mr. Vallance, these are the values that the farmer himself puts on. Of course those are 1931 figures, you know.

Mr. VALLANCE: What is that?

Dr. COATS: Those are 1931 figures. A great deal of water has run over the mill-dam since 1931. But I can only say that this value is the value that the individual farmer gave to the enumerator. He was asked, "What is the value of your farm, how many acres have you?" I think there were six hundred questions on the schedule—I would be very glad to bring the schedule and let you see exactly what was asked.

Mr. DONNELLY: What were your instructions to your people taking the census? Were they to ask the man what he thinks the value is under normal conditions, or at the time of taking the census?

Dr. COATS: I do not remember the particular phrase, but I can send you a copy of the book of instructions. I have read you the instruction on mortgages. There are similar instructions about everything. The enumerator is given a definite lead as to how to collect these figures.

Mr. VALLANCE: Dr. Coats, this is the last issue of any census figures that to-day is in circulation?

Dr. COATS: Yes.

Mr. VALLANCE: The one that I hold in my hand?

Dr. COATS: Yes.

Mr. VALLANCE: So if any individual wanted information that is contained or is likely to be contained in this book, he would naturally get this book and look it up?

Dr. COATS: Right.

Mr. VALLANCE: So that if he is looking, in the province of Saskatchewan, for the average valuation of acreage under cultivation in the province of Saskatchewan, he finds \$29.94.

Dr. COATS: Yes.

Mr. VALLANCE: I am awfully sorry these figures went out, because they do not tell the truth; they cannot tell the truth.

Mr. GANONG: It is based on the census of 1931.

Mr. VALLANCE: I know; I am not disputing that fact, but the picture given in this is fair, it is not fair to the farmer; it is not fair to the province of Saskatchewan, to put a valuation on the farm lands of Saskatchewan where the farmer to-day cannot go into the bank and borrow one dollar on it, and even were the 49 per cent really without mortgages—

Dr. COATS: How would you suggest you get the value of the farm lands in Saskatchewan? How would you suggest you should get it?

Mr. HOWARD: May I make a suggestion to clear up the trouble. Dr. Coats, I will submit to you particulars of several farms I own in Saskatchewan and Alberta, and you can check them back and see what your records show, and then you will see how accurate they are as to price and everything else.

Dr. COATS: Quite. That is the only way. There is no use talking in generalities, give us cases; if there is a case where a farmer has said his farm is worth \$5,000, and it is only worth \$1,000, where is the case? Let us see it.

Mr. STITT (Selkirk): He may have paid that for his land.

Dr. COATS: We assume the best source of information as to the valuation of his farm in the farmer who owns it. We ask him what his farm is worth, and he answers; and in so far as we put him under penalty for misinformation, if he answers that falsely, he can be put in gaol. The answers that are given to the census inquiry have the effect of a sworn declaration.

Mr. DONNELLY: Dr. Coats, you can see this, if you asked the farmer "what is the value of your farm to-day," he would say "nothing"; but, under normal conditions, it is worth so and so; if you asked him what the value of his farm was, under normal conditions, he would probably give you this valuation, but if you ask him what it is worth to-day he would say it is worth nothing.

Dr. COATS: That is undoubtedly true.

Mr. BOWMAN: What we want is the value under normal conditions.

Dr. COATS: The valuation was asked as of June, 1931. I think the instructions to the enumerator was that it was to be a fair valuation, not an upset price, or at sale under distress or anything like that, but that he was to state that a fair price. I am very sorry I did not bring the book of instructions, because I could tell you exactly what we asked them.

Mr. SPEAKMAN: I have a farm that I am not operating myself at the moment, and if I was asked to give a value of the farm at the moment, I would not be able to do so. I could not sell that farm for a dollar because of the conditions that exist out there. It is worth nothing at the moment, but when I was asked to put a value on it, I put it down at what I reckoned to be a fair value in average times.

Dr. COATS: Well, that is what we did, and that I suppose, everybody did. May I say one word further. The enumerators who were chosen for the taking of the census in the rural districts were farmers mostly; that is, persons with an intimate acquaintance with Canadian agricultural life. A man who is familiar with values in the district and who is known in the district, can get pretty close to values in ninety-nine cases out of a hundred. They were assumed to be of fair average intelligence, and to have more than an average knowledge of farm conditions. And, on the whole, I think we secured very competent men to act as our rural enumerators.

Mr. SPEAKMAN: It seems to me that the difference in values placed upon western farms is given by persons who should know better than others what they should be?—A. It is the same principle.

By Mr. Willis:

Q. It seems to me, Mr. Chairman, that by taking that acreage price you might arrive at a fairer average. If you ask a man who has what you might call undue pride of possession he will probably set his price up, but if you ask a man who has not been successful on his farm what he values his land at he will tell you it is worth nothing, whereas in reality it is of value. So that by taking the average value I think your result is fairly accurate, especially when you have the main value of the farms in the district. I think what you get from that will be fairly accurate.

The CHAIRMAN: Now, Mr. Varcoe, of the Department of Justice, is here, and is prepared to say something on the legal—the constitutional—aspects of this enquiry. Shall we hear from Mr. Varcoe this morning? Agreed.

FREDERICK P. VARCOE, called:

The CHAIRMAN: Gentlemen, Mr. Varcoe will make a short statement first, and then you may ask any questions you desire.

Mr. VARCOE: There were four questions submitted for answer. The questions appear in the minutes as printed, and I will not repeat them.

Section 91 of the British North America Act vests in Parliament the exclusive authority to legislate in respect to certain enumerated matters, and one of these is interest.

It would appear that Questions 1, 2, and 3 should be answered in the affirmative. That is, Parliament has the power to fix the maximum rate of interest which may be charged on loans granted by corporations, by private individuals, by Provincial or other than Dominion corporations, and, finally, Parliament has the power to fix rates of interest in respect to bills of exchange and promissory notes. As to the fourth question, "has the Dominion parliament power to enforce reduction of principal of debt in respect of loans made" by several classes of persons, the answer, I should say, is in the negative, because that subject matter would fall within the expression "property and civil rights in the province," which is a matter which is confided to the provincial legislatures.

By Mr. Spencer:

Q. Will you give us that last question again?—A. I shall repeat the whole of it: "Has the Dominion parliament power to enforce reduction of principal of debt in respect to loans made," by Dominion corporations, other corporations and individuals. And then there is a paragraph, (b) "if necessary for the determination of the above questions, is any differentiation to be made between loans (i) secured upon real property; (ii) secured upon personal property; (iii) without security? Now, I am going to qualify the answer to paragraph (b) by saying that as banking is a matter which is exclusively within the authority of Parliament, then a bank loan would be outside the power of the province to deal with, and within the province of the Dominion.

Mr. STITT (Selkirk): Might I ask a question?

The CHAIRMAN: Yes, Mr. Stitt.

By Mr. Stitt:

Q. Could the Dominion parliament extend its jurisdiction through the avenue of bankruptcy, could they work in that way?—A. In the case of the reduction of loans? Are you referring to question No. 4?

Q. Yes.—A. I would have some doubt about that. Such a question has not been before the courts; but I would be inclined to think that the expression "bankruptcy and insolvency" in section 91 refers to the condition of the individual, with reference to his capacity to pay his debts, and provides relief to that individual in certain circumstances. But to say that parliament could, under that heading, proceed to reduce all loans, I would think that is pretty doubtful.

By Mr. Power:

Q. As I remember it, the Civil Code of the province of Quebec prescribes an interest rate of five per cent when it is not specified in a contract made in the right of an individual.—A. I could not say what is in the Civil Code, Mr. Power, but the Dominion Interest Act contains that provision.

Q. I think it is five per cent.—A. Yes, it is five per cent.

Q. In question 2, which is as follows: "Has the Dominion parliament any power to prescribe the maximum rate of interest chargeable on loans generally held by (a) persons, (b) corporations," if this parliament were to pass legislation prescribing that the maximum rate of interest chargeable on loans by corporations or persons would be 4 per cent—and there was a loan in the province of Quebec on which no interest has been specified, in which there had been no contract with respect to interest—what would be the position of the defendant if he were sued and payment of five per cent demanded; could he set up the Dominion Statute which stated that 4 per cent was the maximum legal rate?—A. I would say so, provided the statute in terms applied to his particular transaction.

Q. Well, I am speaking of an undertaking of some kind in which a rate of interest was not specified. Now, the Civil Code specifies five per cent.—A. Well, that may be so. I am not certain about that.

Q. I am not certain, either.—A. But the situation is that in some provinces there was a pre-Confederation law respecting interest, and to some extent, or in some cases, that law was not repealed and it is still in force. Now the Statute of Upper Canada is still in force in the province of Ontario with respect to judgment debts.

I suppose one reason which suggests itself why one would expect that the power of parliament should be limited, arises from the fact that it seems anomalous that parliament should be given the power to regulate the interest in connection with a contract which in every other respect is subject to provincial control, or to provincial regulation. But, nevertheless, there is the expression in the British North America Act; and it is rather interesting to notice that in the first draft of the constitution, which was submitted to the conference at Quebec in 1864, the expression used was "rate of interest." In the second draft, the expression appeared as "interest," and it is supposed that the intention was to widen the power of parliament by striking out the words "rate of." The question of the power of parliament has only been before the courts in two cases that I know of, and neither of them is, perhaps, of very great importance. In both cases, however, so far as the cases are of any interest to us now, the power of parliament was held to be exclusive.

Q. I have before me—and might as well read it in detail—the article of the Civil Code of the province of Quebec, article 1785: "Interest upon loans is either legal or conventional. The legal rate of interest is fixed by law at five per cent yearly." And then is given the reference: "63-64 V. (Can.), c. 20 (1900)." It would seem to indicate that the legal rate was fixed in the province of Quebec at five per cent because it had already been fixed at five per cent by the Dominion of Canada.—A. Yes, that may be so. It is five per cent in the Dominion (Interest) Act. There is the provision that any rate may be stipulated, but if no rate is stipulated, the rate shall be five per cent.

Q. The article goes further and says: "The rate of conventional interest may be fixed by agreement between the parties with the exception," and certain variations are mentioned. "(1) of certain corporations . . . which cannot receive more than the rate of interest therein mentioned; (2) of certain other corporations which are limited as to the rate of interest by special acts;" and "(3) of banks, which are not subject to any penalty for usury, but which cannot recover more than seven per cent." That is in the province of Quebec.—A. I do not know what effect it has.

By Mr. Lawson:

Q. Is it your contention that the parliament of Canada might legislate to reduce the interest rate on a contract respecting loans made in the provinces where we haven't any legislation on it at the present time?—A. I can see no escape from the conclusion parliament could, if it so desired.

Q. What was worrying me was, that since that is a matter of property and civil rights, it was outside the Dominion.—A. Of course, almost everything is included in "property and civil rights."

Q. That is what I want to get at.—A. That expression occurs in section 92 of the B.N.A. Act, but it must be construed as having been qualified by the exceptions that are taken from it in section 91, and one of these is interest; another one is bills of exchange, and copyright, and patents, and so on. All of these would fall within the general expression "property and civil rights," if it were not for the fact that they had been excepted in section 91.

Q. Mr. Varcoe, have there been any decisions, or any dicta, in connection with the question of whether or not the Dominion has the power to regulate the rate of interest in respect to mortgages, of which you have knowledge.—A. There is one case, Bradburn vs. Edinburgh Loan Association, in 1903, in Ontario. In that case, the provision which is now section 10 of the Interest Act was in question. That section provides that in the case of a mortgage loan for a period exceeding five years, a mortgagor may, at any time after five years, tender the principal and interest to date, and three months' premium interest by way of, or in lieu of, notice. That section has an interesting history from the constitutional point of view. It was first enacted in 1880. In 1885 the proposal was made in parliament to amend that section by reducing the period from five years to three years. When the bill was before the House, Sir John Thompson said that he thought it was unconstitutional, because—I think perhaps I have the language he used—"Because it seems to me that it is not a provision relating to interest properly, but relating to contracts for the securing of money". That is to say, I imagine he meant that Parliament had simply utilized the device of legislating about interest to affect the duration of the contract itself, rather than the period during which interest would be paid. However, the bill was withdrawn, probably in view of that statement. But curiously enough, the section which had been enacted in 1880 in exactly the same form, except that there was a five-year period instead of three, was left on the statute book. In 1903, as I say, that particular section came before the Supreme Court of Ontario, and after a very elaborate argument, Mr. Justice Britton decided that it was constitutional. Now, it does not seem to have been doubted that it was constitutional, provided that it was "interest" legislation and was not "principal" legislation. Do you understand what I mean?

Q. Did you say Mr. Justice Britton decided that it was constitutional or was not?—A. He said that it was constitutional; that it was not a colourable device to deal with principal rather than interest.

By Mr. Pettit:

Q. That cut off the right of the mortgagee to accept anything more than the three months' additional premium. It was a compulsory method?—A. The section goes a great distance, you know. It is not perhaps, very important in its application, but it goes a great distance as regards the constitutional power:—

Whenever any principal money or interest secured by mortgage of real estate is not, under the terms of the mortgage, payable till a time more than five years after the date of the mortgage, then, if at any time after the expiration of such five years, any person liable to pay or entitled to redeem the mortgage tenders or pays, to the person entitled to receive the money, the amount due for principal money and interest to the time of payment, as calculated under the provisions of the four sections last preceding, together with three months' further interest in lieu of notice, no further interest shall be chargeable, payable or recoverable at any time thereafter on the principal money or interest due under the mortgage.

The amount due for principal, money and interest to the time of payment is calculated under the provisions of the four last preceding sections. He could offer three months' interest in lieu of notice, and no further interest was to be chargeable, payable or recoverable at any time thereafter on the principal money or interest due under the mortgage. Now, you see, Parliament has not merely exercised the right to legislate about the rate of interest which shall be payable, whether the rate was one, three, or five per cent; but it has said under what circumstances interest shall or shall not be paid. So that, assuming that that section is constitutional, it goes a long distance. In another case which went to the Supreme Court—

By Mr. Bowman:

Q. Before you go to the other case, what is your reference to your first case?—A. Bradburn vs. Edinburgh Life Assurance Company, 5, Ontario Law Report, page 657. In the case of Lynch vs. Canadian Northwestern Lands Company (1891), 19 Supreme Court Report, a provincial statute, I think it was from Manitoba, was in question, and that statute imposed a penalty of 10 per cent for non payment of taxes on the due date. This 10 per cent addition to the debt of the taxpayer, was described in the statute as "interest", and the question was whether it was interest or not. They went to the Supreme Court about it, and the Supreme Court held that it was not interest, but that it was a penalty pure and simple and the mere calling it by the name of interest did not make it interest because the court pointed out that the penalty was the same if one were an hour or a year late; and that was the important factor in the court's arriving at that conclusion. Now, I mention it principally because Chief Justice Ritchie, in his judgment, refers to this section which I have just read from the Interest Act, and the sections which precede it—the ones about the rate being five per cent, if no rate is stipulated. He mentioned these sections, without questioning their being constitutional.

By Mr. Lawson:

Q. In the Lynch case, the court must have assumed that the legislation was *intra vires* of the province in order to give the decision it did.—A. Yes.

By Mr. Gagnon:

Q. I understand that no provinces have contested the right of the Dominion with respect to interest?—A. The province did contest it in the case that I mentioned, Bradburn vs. Edinburgh Association. It was this Dominion section, section 10—it was then section 5—the constitutional validity of which was raised, and the province of Ontario took an important part in the argument of the case, and argued that it was *ultra vires* the power of the Dominion parliament. The Dominion was not represented, and did not defend the legislation in court.

By Mr. Lawson:

Q. That case did not go beyond the Britton decision.—A. It did not go beyond that court, nor sir.

By Mr. Bowman:

Q. To bring the matter down to specific cases, as you interpret the authorities at the present time, would you say that the Dominion government would have authority to limit the rate of interest on a mortgage—say it was carrying seven per cent, to reduce it to five per cent.—A. It would seem to me that that must be the result. I would answer in the affirmative.

Q. Is the matter one that you would say was definitely settled?—A. Well, no. I would not venture to say that anything is settled beyond doubt about the British North America Act. But, you see, you get into this peculiar position with reference to this statute, that because you have these two sets of powers, one in the provinces and one in the Dominion, each qualified by the other, you find yourself in the position that words can't always be given their full and natural meaning. Perhaps I might explain that by reference to Article 2, of section 91, where we have the "regulation of trade and commerce" vested in parliament. Now, obviously, if you gave that expression its full meaning, there would be nothing left for the provinces at all; practically everything that you think of as being property and civil rights, would fall within that category. Furthermore, they say—I am sorry if I appear to be giving a lecture on this—

Mr. BOWMAN: That is all right, just go ahead.

The WITNESS: Furthermore, they say if that expression "trade and commerce" were to be given its full natural meaning, then why was it necessary to enumerate as Dominion powers currency, banking, weights and measures, bills of exchange, promissory notes, interest, legal tender, bankruptcy and insolvency, because these all fall within the ordinary meaning of the words "trade and commerce." Then you turn to section 92, and you find there the great and important head "property and civil rights in the Province." Now, if you give that its full meaning—if you were to do that—it would mean that much that is in 91 would disappear, so that you are in that very difficult position that you have got to read these sections together. But I, personally, have not been able to think of any logical limitation which a court might impose upon the expression "interest" in section 91 but the fact of the matter is the question has never been before the courts in any important or decisive case. It has not been before the Supreme Court of Canada, for example—except in this Northwestern Land Company case, where it was just touched upon incidentally. I have not been able to think of any limitation that we can place upon that word. In the case in the Supreme Court, Mr. Justice Patterson referred to the fact that interest was found in association with these other words, bills of exchange, promissory notes, legal tender, currency, coinage and banking, and he suggested that the words should be read *ejusdem generis* with these other words. And then he went on to say that it referred to the financial structure of the country at large,—I think the expression was "the general financial structure of the country at large." But there he was simply attempting to exclude the penalty which arose under the municipal taxation Act and he finally came to the conclusion that it was merely a penalty, and not interest.

By Mr. Howard:

Q. In order to make the record perfectly clear may I ask this: am I to understand that under question No. 1 and Part (a) the answer is, "yes," under Part (b) the answer is "yes," under question 2 the answer is "yes" and under 2(b) the answer is "yes," and under No. 3 the answer is "yes" in both?—A. Yes.

Q. And when you come to the other question the answer is "no"?—A. It is "no" subject to this qualification: in the case of any loan which is in the nature of a bank loan.

Mr. BOWMAN: Do you mean to say that in connection with a bank loan the Dominion government would have authority to say to a bank, "John Jones' debt is \$100; you must accept \$70"?

The WITNESS: That is correct; it is a matter of banking.

Mr. LAWSON: The bank is a creature of our own creation.

The WITNESS: The expression in the British North America Act is, "banking, incorporation of banks, and the issue of paper money."

Mr. BOWMAN: May I take another case along the same line to clear up the record: a man, on the other hand, who has a mortgage of \$1,000 on his property could not be ordered by the Dominion government—rather the mortgagee—to accept \$900?

The WITNESS: I think not.

Hon. Mr. MACKENZIE: The question in regard to rates of interest is not one that has been finally determined, of course, with much accuracy. It is highly likely if this Parliament did interfere, as you said it could, on rates of interest in the provinces, probably there would be an appeal for final determination?

The WITNESS: There could be an appeal, and a case might be taken to the privy council.

By Mr. Lawson:

Q. I wanted to ask a question relating to mortgages. In view of the fact that it has been judicially determined, time and time again, that all matters relating to real property come within the jurisdiction of the provinces, and in view of the fact that in the Bradburn case there was only the decision of a single judge under the circumstances therein outlined, and in the Lynch case it was only inferentially considered, I presume your view would be that it is still a rather moot question as to whether or not the Dominion has power to regulate the rate of interest in respect of mortgages?—A. No, I would not say that. I would say that possibly it is still a moot question whether section 10 of the Interest Act, in the form in which it is, is constitutional, because of the fact that it—

Q. It purports to affect a contract?—A. Yes; the principal, I mean. It might be thought that it is a device to compel the mortgagee to accept a repayment of the principal, because if he is not going to get the interest he will take the principal.

Q. Right.—A. But I have not any reason to suppose that this interest legislation respecting mortgage loans is bad. As a matter of fact, these sections have been before the Supreme Court on other occasions, and no constitutional question was raised at all. I did not make any reference to them. They were before the court merely as a matter of construction.

Mr. MORAND: In other words, this Parliament has the right to set the maximum rate of interest collectable on anything that falls within the category of interest?

The WITNESS: As long as it is really interest.

Mr. WILLIS: Just to clear up the record, following a question which Mr. Bowman asked: where a farmer gives a mortgage to a bank for \$1,000, would it be within the federal jurisdiction to make that bank accept \$800?

The WITNESS: Well, now, you have got into two fields. You say the farmer has borrowed \$1,000 from the bank, and he has given a mortgage—

Mr. WILLIS: A land mortgage.

Mr. LAWSON: He cannot, under the Bank Act.

Mr. BOWMAN: Yes, he can; after it becomes due.

The WITNESS: Only as collateral security or something of that kind.

Mr. PETTIT: Tell him to cut down the overdue interest on it.

Mr. WILLIS: Is that question answered?

The WITNESS: No. I would want to think about that.

The Committee adjourned to meet at the call of the Chair.

APPENDIX "E"

THE SECRETARY OF STATE OF CANADA

OTTAWA, March 20, 1933.

Dear Mr. MATTHEWS,—With further reference to your letter of the 8th instant, I am sending you herewith a copy of a letter which has been transmitted to me by the Provincial Secretary of Nova Scotia, in answer to the questions prepared by a sub-committee of the Committee on Banking and Commerce, concerning debts and interest rates within Canada.

Yours very truly,

C. H. CAHAN,

Secretary of State.

R. C. MATTHEWS, Esq., M.P.,
House of Commons,
Ottawa, Ontario.

(Copy)

HALIFAX, N.S., March 15, 1933.

The Honourable J. FRED FRASER,
Provincial Secretary,
Halifax, N.S.

Dear Mr. FRASER,—I am in receipt of your letter of the 13th inst. with letter of the 10th inst. to you from The Honourable C. H. Cahan, The Secretary of State of Canada, requesting the opinion of the Attorney General of this Province on certain constitutional questions relating to interest, these questions having been prepared by the Select Standing Committee of the House of Commons on Banking and Commerce.

I have not been able to consider fully and carefully the matters referred to but as at present advised I am of the following opinion:

1. The Dominion parliament has the power to fix a maximum rate of interest which may be charged on loans et cetera made by corporations created by Dominion statute or letters patent, where such corporations were previously incorporated or are to be incorporated.

2. The Dominion parliament has power to prescribe the maximum rate of interest chargeable on loans generally made by persons or by corporations created by statute or letters patent other than federal.

3. The Dominion parliament has the power to fix and to alter rates of interest in respect of bills of exchange and promissory notes.

4. The Dominion parliament has not the power to enforce reduction of principal of debt in respect of loans made by any corporations howsoever incorporated or by individuals, and it is not necessary for the determination of any of these questions to make any differentiation between loans secured upon real property, loans secured upon personal property and loans without security.

Yours very truly,

(Sgd) JOHN DOULL,

Attorney General.



SESSION 1932-33

HOUSE OF COMMONS



SELECT STANDING COMMITTEE

ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

TUESDAY, APRIL 4, 1933

Order of Reference: *Re Debts and Interest Rates.*

WITNESSES:

Dr. R. H. Coats, F.S.S., Dominion Statistician; H. Marshall, Esq.,
Dominion Bureau of Statistics.

OTTAWA
J. O. PATENAUME, ACTING KING'S PRINTER
1933



MINUTES OF EVIDENCE

HOUSE OF COMMONS,

TUESDAY, April 4, 1933.

The Select Standing Committee on Banking and Commerce met this day at 11 a.m., Mr. R. C. Matthews, Chairman, presided.

The CHAIRMAN: I will ask the Secretary to read any communications that have been received since our last meeting. (Clerk reads memorandum *re* questions on jurisdiction received from the Provincial Secretary of British Columbia; see appendix "F.")

Mr. SPENCER: May I ask if that is the only reply received from the provinces?

The CHAIRMAN: No, one from Nova Scotia has already been read into the Minutes. This is the second one received. Does any member wish to make observations on the contents of this letter? If not, I shall ask Dr. Coats to present to us some statistics *re* interest charges collated for the Committee. Our discussion to-day will have particular reference to question No. 2 in Mr. Speakman's memorandum.

Dr. COATS: Mr. Chairman, Gentlemen, the data that I have to present to-day is under heading No. 2 of the Speakman memorandum, which reads as follows: "Rates of interest charged under different headings, for example (a) bank loans; (b) farm mortgages; (c) mortgages on town and city property; (d) bonds, federal, provincial, municipal, railway and other corporations, etc."

You will remember that I stated before, in the first answer we gave, on behalf of the Bureau of Statistics, to these questions, that no comprehensive statistics were in existence but there were some results of an investigation available in a report of 1915, which covered the subject rather extensively and intensively from 1900 to 1915, and that an investigation on similar lines, bringing that data up to date, would not be a large undertaking, but would require, perhaps, a few weeks' time. Well, we have not had a few weeks' time; the data that I shall present to you to-day, are the results of only a week or ten days' investigation. It has been rather a "catch as catch can" affair; but I think they are of much significance and interest, and I, therefore, had them mimeographed, and a memorandum containing the tables is now circulated.

It would perhaps be the best method of procedure if I simply direct this memorandum to your attention table by table and then answer any questions that you may wish to propose.

Table No. 1 (of Appendix "F" herewith), shows the total indebtedness of governments (Dominion and provincial), municipalities, and corporations, together with the interest payments that they make annually, and a reckoning of the average interest rate, which it represents. The rate, of course, in this particular table, is obtained simply by dividing the interest into the amount of outstanding obligations at the par value of those obligations. That is the significance of this particular table. It shows the total interest charges against that class of security, and the average rate which those payments represent at the par value of the security.

Hon. Mr. EULER: I understood the other day that the total debt is \$2,600,000,000, but I take it that is all interest bearing. You have here

\$2,375,000,000, which you call the net debt. I suppose there are some deductions from the \$2,600,000,000. Is your \$118,000,000 more or less the interest on the \$2,375,000,000; should it not be on the \$2,600,000,000?

Dr. CUDMORE: If I remember correctly, the figure is \$2,599,000,000, and that is the figure of debt as at March 31, 1933, as given in the budget speech by the Minister of Finance.

Hon. Mr. EULER: Is not all that interest bearing? That is the point I want to make.

Dr. COATS: That would be all interest bearing.

Hon. Mr. EULER: Would that be represented by the \$118,000,000 of interest that you have here?

Dr. CUDMORE: The figure here is a year old.

Hon. Mr. EULER: Oh yes, but it would not be as large as that, would it?

Dr. CUDMORE: You might look at the footnote; the figure given up here in this table is the "funded debt less interest on loans to banks, provinces and foreign governments," and the interest accordingly.

Hon. Mr. EULER: I don't know whether you understand me or not. What was the total debt, not the net debt at this time? These figures are a year old, are they not?

Dr. COATS: It is shown in another table.

Hon. Mr. EULER: Anyway, would it not be more illuminating if we had the actual present debt? The debt given in the budget speech was \$2,600,000,000. Why not take that and get the total interest on that?

Dr. CUDMORE: That as I understand it, is a tentative figure. It is only a preliminary figure which will be corrected later on, or will be revised later on when the full results for the fiscal year which has just ended become available.

Hon. Mr. EULER: The only observation I would make here is that we want to get as near to the actual facts at the present time as possible.

Dr. COATS: I do not think, Mr. Euler, that the actual final figure for debt is yet available. The budget speech usually safeguards the figure for debt by stating that it is an estimate.

Hon. Mr. EULER: Still that estimate as compared with what you have here, the first item, shows net debt of Canada at \$224,000,000 which is rather substantial.

Dr. COATS: Yes, but that does not mean—the figure stands on all fours just the same, the interest charges shown in this table are the interest charges on the debt shown in this table.

Hon. Mr. EULER: On the total debt, not the net debt?

Dr. COATS: No.

Mr. MORAND: On the debt as set out.

Dr. COATS: On the net debt, yes, not the funded debt.

Hon. Mr. EULER: But the interest charges are really greater than that, although there may be a set-off against them, I assume.

Dr. COATS: Yes.

Hon. Mr. EULER: What I would like to get is an answer to this definite question. Is this \$118,000,000 of interest that you have here, the interest on the \$2,375,000,000.

Dr. COATS: Yes.

Hon. Mr. EULER: That is what it is on?

Dr. COATS: Yes.

Hon. Mr. EULER: As a matter of fact, the real debt is greater than that.

Dr. COATS: Yes.

The CHAIRMAN: We will come to the total funded debt and the interest thereon in Table II.

Dr. COATS: Yes, if you will look at that table.

Hon. Mr. EULER: All right, if we will reach it later. I would like to get as near as possible to the present situation.

Dr. COATS: Well, the actual figures are \$2,579,238,724 on which interest charges are \$128,188,969.

Hon. Mr. EULER: Yes; that is what I was trying to get at.

The CHAIRMAN: Dr. Coats, we will proceed with Table I.

Dr. COATS: I don't know but what this first table is fairly self-explanatory.

Mr. BOTHWELL: Just one question on the first table; "indirect liability of provinces, fiscal years ended in 1932, \$216,000,000, and there was an interest rate of 4.2 average. Are those indirect liabilities mostly railway guarantees?"

Dr. COATS: Well, we covered all that in our first memorandum, under heading No. 1, if you will remember. It is printed at page 15-a of the first day's proceedings of the Committee. There is a full explanation, on page 15-a, of the evidence of Tuesday, March 14, of what those indirect liabilities are.

Mr. PETTIT: What date, Dr. Coats?

Dr. COATS: It is number one of the minutes of proceedings of the Committee.

Mr. LAWSON: They are all set out in detail.

The CHAIRMAN: Deal now, please, with Table II.

Hon. Mr. EULER: Mr. Chairman, just a question; I don't like to delay the Committee, but in table I the third item "Gross direct liabilities of the provinces" \$1,363,000,000 odd; then "Indirect liabilities of provinces." \$215,000,000 odd; then "Grand total direct liabilities." Should that not be grand total direct and indirect liabilities?

Mr. LAWSON: No, no; that reads, "municipalities," not "provinces."

Hon. Mr. EULER: Oh, I did not notice "municipalities." I am sorry.

The CHAIRMAN: Perhaps you will explain Table II.

Dr. COATS: The purpose of Table II is simply to give a bird's eye view, back to 1913, of one of the items of Table I, or rather of the interest situation, and the average rate of interest on the funded debt of the Dominion. It shows that the average rate of interest has gone up, in the first instance, from 3.43 in 1913, to a maximum of 5.20 in 1922, after which it has declined until to-day, in 1932, it is 4.97.

Hon. Mr. EULER: May I ask another question; I have always understood, and I think we have it on record in Hansard, more than once, that the debt before the war was \$336,000,000. Here it is given, in 1913, as \$260,000,000. Is not that so?

Dr. COATS: It is \$311,833,272 in 1914, fiscal year.

Dr. CUDMORE: I think there is confusion between the funded debt and the net debt. The net debt of Canada on March 31, 1914, was approximately \$336,000,000. The funded debt was smaller—long term loans of that time—

Hon. Mr. EULER: Should not they be included as debt, even if you do not call it funded debt, if you want to get the actual debt? Or is that provided for elsewhere?

Dr. COATS: This is not a statement of the debt situation. We are engaged now in showing interest payments and fluctuations in the rates thereof. The debt matter we had thought was covered in the first memorandum which we submitted, in which the net debt and the funded debt was submitted.

Mr. MACKENZIE (*Vancouver Centre*): May I ask a question in regard to that 4.97. What are the variations in the various rates of interest, various maturities? There are quite a few as low as three per cent, are there not?

Dr. CUDMORE: Yes, there are.

Mr. MACKENZIE (*Vancouver Centre*): I would like to know how much.

Mr. MARSHALL: There is quite a variety of rates. For example on the indebtedness payable in London we have a rate of $3\frac{1}{2}$ per cent; we have a rate of 3 per cent; there is one as low as $2\frac{1}{2}$ per cent; and we have as high as 5 per cent for those payable in Canada and New York.

Mr. MACKENZIE (*Vancouver Centre*): What is the highest on that?

Mr. MARSHALL: $5\frac{1}{2}$ per cent.

The CHAIRMAN: Shall we pass to Table III now?

Dr. COATS: Table III shows the maximum and minimum average interest and discount rates charged by all banks on loans or advances in Canada during the years 1930, 1931, and 1932. These have been supplied by the Inspector General of Banks, who obtains a quarterly return of this nature from the banks.

Mr. SPENCER: I don't understand this, Mr. Chairman. I don't know of farm loans in western Canada less than eight per cent.

Mr. LAWSON: There may be a lot in eastern Canada at four per cent.

Mr. MORAND: The table shows the average.

The CHAIRMAN: On bank loans.

Mr. LAWSON: Bank loans.

Dr. COATS: Bank loans and discount.

Mr. LAWSON: It is the average over the whole country.

Dr. COATS: It is the average over the whole country.

Mr. BOTHWELL: How do you get maximum and minimum?

Mr. MACKENZIE (*Vancouver Centre*): Average maximum, average minimum.

Mr. BOTHWELL: Taking different times of the year.

Mr. MACKENZIE (*Vancouver Centre*): Is any information available of the highest rates of interest and lowest charges of the bank in these classifications?

Dr. COATS: All those high and low rates are washed out in this average. Of course we have no direct information.

Mr. MACKENZIE (*Vancouver Centre*): It might be of interest to know what is the highest rate of interest charged in Canada by any bank, and the lowest. This is just what is the average.

Mr. MARSHALL: In a book written by Mr. E. L. Stewart Patterson, "Canadian Banking," on page 157, it states:

At the last revision of the Bank Act, 1923, Mr. H. O. Powell, general manager of the Weyburn Security bank, whose bank operated only in Saskatchewan, stated that the majority of their loans were at eight per cent, and some at ten per cent. He further stated that the interest rates were lower in western Canada than in similar sections of the United States, and that farmers in Dakota would be glad to obtain loans at twelve per cent interest.

That is the only definite information we have on that.

Dr. COATS: On the average maximum, the Inspector General of Banks obtains a quarterly statement from the banks, and this maximum and minimum is simply the average of four quarterly statements.

Mr. MACKENZIE (*Vancouver Centre*): Some of the complaints we have heard is that there is no uniformity, that they are higher in certain sections of the country and lower in others. I would like the figures from the Inspector General of Banks to show the highest rate of interest charged and the lowest, to see if there is any lack of uniformity.

Dr. COATS: I am not sure whether the Inspector General has that figure or not. My understanding was that he had merely obtained from each bank the average maximum and the average minimum for the whole country, but it may be that he has it by local distribution, but at the moment I doubt it.

Mr. HACKETT: Doctor Coats, undoubtedly due to my inexperience in these matters, I do not understand, but I thought that an average was the mean between maximum and minimum. How can there be an average maximum and an average minimum? I thought that the average was the meeting point of the maximum and the minimum.

Hon. Mr. EULER: That is my idea, too.

Mr. LAWSON: If you were talking about an average over the whole year, it is, but does not this represent the maximum average interest charge during any one fixed period during the year, for example, any one month; and the minimum is the average minimum interest charge during any one month?

Dr. COATS: It is during a certain three months' period, that is quarterly period.

Mr. LAWSON: You mean some definite uniform period.

Dr. COATS: Quite so. All this means by this average per cent for the year is that the four maxima and the four minima are added and divided by four.

Hon. Mr. EULER: Can you get the absolute average?

Dr. COATS: Well, we would not get a weighted average that way, no; if you are going to put a fine edge on this we would have to take an account of the amount of money that was loaned at specific rates; if one loan of \$1,000,000 was at eight per cent, and another loan of \$1,000 was at six per cent, it would not be fair to average the two in arriving at the rate at which the money was loaned. But this is rather, as I said before, a more or less rough and ready figure that we have scraped together, in the past week or ten days, from what is immediately available.

Mr. PETTIT: You take four maxima and average that, and take four minima and average that.

Dr. COATS: Yes.

Hon. Mr. EULER: They might be on different sums.

Dr. COATS: Well, precisely; there is that point, too.

Mr. LAWSON: If I understood Dr. Coats correctly, he said this was not a weighted average.

Dr. COATS: No, it is not a weighted average, simply average. It might have been better, and I think we could have done it, we could have put four quarterly statements under the heading of each year; but I don't know that that would have told you anything very much more; it would still be open to the objection that it was unweighted inside the quarter.

Mr. LAWSON: Of course, you cannot do an injustice by not being weighted, because larger loans in all probability have a smaller rate; I mean in the ordinary course of business.

Dr. COATS: Yes.

Mr. LAWSON: Large loans of call money on collateral security would be at a low rate of interest.

Dr. COATS: I think the main significance of this table is that it shows a gradually falling rate of interest; and I think the table may be relied upon to give a truthful presentation of that fact. In 1930, a maximum of 6.43 has fallen to a maximum of 6.18 in 1932.

Mr. MACKENZIE: I should like to know, in regard to the falling rates of interest, has that been a uniform fall all over Canada? Is that true of western Canada as well as eastern Canada?

Dr. COATS: Well, that these figures do not show.

Hon. Mr. EULER: Would this be true, you say these average rates include call loan transactions, which are not ordinary commercial business—

Dr. COATS: Quite so.

Hon. Mr. EULER: These call loan transactions bear a lower rate; that is six per cent is lower than the average given at that time. If those were eliminated and you took commercial loans, the average rate would be somewhat higher—

Dr. COATS: I think that is so.

Hon. Mr. EULER: —on ordinary commercial business.

Dr. COATS: I think it is a defect in these figures that call loans are included.

Hon. Mr. EULER: Yes.

Dr. COATS: I think it would be better if—call loan business in Canada is not extensive, as I understand it.

The CHAIRMAN: Has there been a uniform rate in call loans?

Dr. COATS: The call loan rate has been uniform, as I understand it. It is a small business, and it is carried out, I believe, at a rate which does not vary much from six per cent.

The CHAIRMAN: Table IV, now, please.

Dr. COATS: There is a misprint in the fourth column, that heading of the fourth column of Table IV should be "collateral loans," "not call loans." I wish to correct that.

Mr. LAWSON: May I ask if there is any volume of business there?

Dr. COATS: The idea of this table, which relates entirely to Ontario, is to show the trend of interest, both paid and received by the loan companies in that province over a period of ten years. It analyzes what these companies have paid by way of interest on deposits, and on debentures and debenture stocks; and also what they have received on loans they have made on mortgage security and collateral security, on bonds, debentures and stocks, and on stocks. The significance is—

Hon. Mr. EULER: Were there no loans made on stocks prior to 1930?

Dr. COATS: There is no record of that. They are included with bonds prior to that; bonds, debentures and stocks was the heading prior to 1929; stocks have been eliminated since. I think the really significant figures are, from the standpoint of the Committee, perhaps the trend shown in the interest charged by these companies on mortgage security and on collateral security. There has been a perceptible decline between 1921 and 1931.

Hon. Mr. EULER: And a rise on deposits?

Dr. COATS: Yes. You will notice there is a decline also in what they paid on debentures. In other words, they paid less interest on the money they had to borrow.

The CHAIRMAN: Are there any other questions on Table IV?

Mr. LAWSON: Dr. Coats, these figures showing what they paid on deposits, I suppose those are averages resulting from one loan company receiving deposits and paying three per cent and another four, and varying rates of that kind, are they?

Dr. COATS: Yes. It is the total interest paid by those companies on the total money that they have out on deposit.

Hon. Mr. EULER: Do any of them pay as low as three per cent?—A. I don't think so.

Mr. HACKETT: Not according to the figures.

Mr. LAWSON: They must, to get those averages.

Hon. Mr. EULER: No, they are all between three and four.

Mr. LAWSON: Some of them pay four and four and a half.

Hon. Mr. EULER: Do any pay four and a half?

Mr. LAWSON: Yes; on fixed term deposits, issue certificates, and you have got to give them thirty days' notice or something to get your money out, and they pay as high as five, I think.

Hon. Mr. EULER: Would not those be under debentures; they are in the second column.

Mr. LAWSON: No, they are not debentures; time deposits, I think they call them, trust deposits, or something like that do, they not?

Dr. COATS: Yes.

Mr. LAWSON: They are trust deposits, or time deposits.

Dr. COATS: I think it is improbable that any rates paid by these companies on deposits are as low as three per cent, for the simple reason that they have to bid against the banks, and they would, perforce, have to offer a higher rate of interest, than the banks, I think.

Mr. SPENCER: Banks never pay more than three per cent on deposits, do they?

Dr. COATS: I don't think so. I think on savings they pay three per cent.

Mr. SPENCER: And that is on minimum balances.

The CHAIRMAN: Everyone pays on a minimum balance. I think the daily balance rate is—

Dr. COATS: I might say this table is based entirely on the annual reports of the loan and trust corporations to the Registrar of such corporations in the province of Ontario. They are simply excerpts from the series of their reports, and the purpose of the table was to give a bird's eye view over all classes of interest rates during the past ten or twelve years.

Mr. MORAND: Dr. Coats, is Ontario the only province where these loan companies can take deposits?

Dr. COATS: Oh, I don't think so. I would like to point out that these are not necessarily—loans are not in Ontario alone. A great many of the companies reporting here do a dominion-wide business. For example, the Canada Permanent is one of the companies that is covered in this. It is of wider significance. It is not of strictly Ontario significance. That is what I want to point out.

The CHAIRMAN: Table V.

Dr. COATS: Table V is a table that is presented on account of the wealth of its details. It shows for the three years 1929, 1930, and 1931, the average rate of interest which was charged by some fifty-seven companies which are listed, their names not being given—A, B, C, and so on. These returns are the actual rates which were charged by these companies, and here we have succeeded

in getting returns split up not exactly by provinces but by sections, the Maritimes being grouped and the prairies being grouped, the Maritimes, Ontario, Quebec, the prairies and British Columbia all being differentiated.

Mr. MORAND: Dr. Coats, are these interest rates, interest collected or interest contracted for?

Dr. COATS: Those are the interest rates charged on new realty mortgages. I may say that the information in this table has been supplied entirely by the secretary of the Dominion Mortgage & Investment Association from fifty-seven of his companies. These are the interests contracted for.

Mr. MORAND: Contracted for?

Dr. COATS: Yes, on new realty mortgages; new mortgages made in these years, not renewals.

Mr. SPENCER: How is it you have nothing on farm mortgages in the maritimes.

Dr. COATS: Is there nothing under farm mortgages? Yes, company G1 reports a rate of eight per cent. Each of these represents a specific company. Company A apparently has no business at all in the maritime provinces; but company G1 has, and it records a rate of eight per cent. At the end of Table II, company D2 reports, in 1929, a mortgage rate of $6\frac{1}{2}$ per cent on farm mortgages in the Maritimes?

Hon. Mr. EULER: One in British Columbia is eight per cent on farm mortgages.

Dr. COATS: Yes.

Mr. MACKENZIE: Nearly ten—9.72 on prairie urbans.

Mr. POWER: Ten on the prairies.

Dr. COATS: I think this is a valuable table, showing what fifty-seven large loaning companies charged in the way of interest.

Mr. MORAND: I would be very much interested if you would make a note whether, when they arrive at this amount of interest, that is really contracted interest or paid interest; because from my limited experience, I have known of no companies that have reduced their interest rates in the last three years, and yet these figures show a marked reduction. Why could not the details be produced here, in figuring the total amount of interest they have received and the amount of their loans, and any amount of interest which they have contracted during that period?

Dr. COATS: I certainly understand that this is interest contracted for, because it is on new loans; it is a summary—an average of the rates that the company is charging on its new business for that year.

Mr. MORAND: Another question, Doctor, which I think would be of some interest if it is possible to get it, and that is the change in interest rate, whether lower or higher, with respect to renewals in the last two or three years.

Mr. LAWSON: That is quoted in table VI.

Dr. COATS: That is given in table VI, average rate of interest. I might pass on, perhaps, to table VI. The idea of table VI is to give more of an historical background to the data contained in table V, by showing the rates and values, from the experience of one company by provinces—and, in the case of Ontario, by a couple of typical counties.

Mr. ROBINSON: The two best counties in the province!

Dr. COATS: The first page of table VI has reference to new business accepted, and the second page to renewed business during the year. That perhaps answers the question made a moment ago.

The CHAIRMAN: And are the figures from the same group of companies in each case?

Dr. COATS: Well, it is one company, you see. These are from a large company. This is the report from a large company—I am not at liberty to mention the name—but it is a large company which does business, as you will see, throughout the country, and has over the last fifteen years operated on a large scale. The final line in each table, on each page of this particular table, shows the trend in interest rates from year to year, as generalized.

Now, on page 1 of the memorandum you will find a summary of the conclusions of this table, and these will trace the fluctuations in rates as between provinces.

The CHAIRMAN: Are there any questions on table VI?

Dr. COATS: Table VII is simply an analysis of the preceding table. It shows the period of frequency of rates of interest. For example, you will see, along the top line, rates of interest are listed from 6 per cent to 8 per cent. Taking the returns of the companies in table V, there were 21 companies which reported new farm loans in that table at an average of 7.28 per cent, the number of companies entered under these different rates was actually 21. The different columns show the percentage at which companies actually placed their loan. For instance there were, taking 1929, a total of 21—one at 6.00; another at 6.26; another at 6.50; another at 7.00, and so on; two at 7.4; and four at 8 per cent. The object of this table is purely analytical, to show where the incidence of farm loans was placed, according to the rates of interest.

The CHAIRMAN: This table refers only to the Prairie provinces.

Dr. COATS: Yes, it refers only to the Prairie provinces.

Mr. BOTHWELL: With regard to this table VII, Dr. Coats, I wonder could you tell the Committee what province in the prairies is able to borrow money at 6 per cent for farm loans.

Dr. COATS: Well, it is the fact that—take the loan returns for 1931—there were 13 companies of which we have the average at which they made their loans in that year; the average for the whole 13, for all their loans, was 7.38. One of those 13 companies reported that its average rate of loan was 6 per cent. Another one reported that it was 6.27; another 6.50; two were under the heading of 7 per cent; then one at 7.44; one at 7.6; one at 7.84; one at 7.96 and four at 8 per cent. That makes up the 13.

Mr. STANLEY: I understand these are regular mortgage loan companies doing a fairly large business.

Dr. COATS: Yes.

Mr. STANLEY: All of them?

Dr. COATS: Yes, these returns are an analysis of table V and that includes 57 large companies, all included under the Dominion Mortgage and Investment Association.

Mr. DONNELLY: All these are only farm loans?

Dr. COATS: These are all farm loans in the Prairie provinces.

Mr. DONNELLY: I never heard of a 6 per cent loan anywhere in the west.

Mr. LAWSON: It is the old story, if a dog bites a man we do not hear very much about it, but if a man bites a dog that is real news and gets scare headlines in the newspapers.

Dr. COATS: There may have an exceptionally good risk there, it is possible. The table bears that out to this extent, you will notice that the largest number is under the heading 8 per cent, that is, the largest number of companies. You see, it means that of 13 companies, in 1931, four obtained an average of 8 per cent; but there were nine others that got under that, that obtained a less average return on loans than that; and these, as I understand it, are contractual rates on new business.

Table VIII is designed to give a tolerably wide perspective of the earnings of good bonds since the beginning of the century. This table takes into account the current market price of these bonds. It is compiled monthly by Wood, Gundy and Company, Limited, who estimate exactly what the earnings of money invested in Ontario bonds are, at the prices then current, for such bonds.

Mr. SPEAKMAN: That is, the actual returns in money.

Dr. COATS: Yes, that is the actual return. It supplies one or two rare cases where, from a somewhat different angle, bonds were shown at their par value. But, in this table the market price of the bonds is taken as the capital, or the investment, on which the interest rate is earned. Of course, it shows a gradual sinking in the rate. Particularly noticeable is the decline of 1 per cent between January, 1932, and January, 1933.

The CHAIRMAN: These bonds are of the province of Ontario and are all subject to Dominion income tax. There are no tax free bonds listed in this table, because the province of Ontario has no tax free bonds.

Dr. COATS: Table IX is exactly the same, termed in index numbers with the year 1926 as equal to 100. Taking the year 1926 as the basis of comparison the figures in table IX are percentages, showing either the cost or the decrease in the earnings of such bonds at current market prices.

The CHAIRMAN: Are there any questions?

Dr. COATS: Table X does the same, almost, for Dominion bonds, since 1919, by months—Dominion government bonds at the current market prices. The decline in the rate from February, 1932, to February, 1933, is from 5.23 to 4.49—roughly from $5\frac{1}{4}$ to $4\frac{1}{2}$.

Mr. LAWSON: Does that mean, in respect to the market price of bonds.

Dr. COATS: Yes.

Mr. LAWSON: But, we did not issue any bonds.

Dr. COATS: No, it is the market price of the bonds. This table applies only to the refunding loans that mature in 1940, 1943, 1944, and 1946; and that are taxable.

In the short appendix to this memorandum we have brought together a few notes on the interest rates chargeable by various farm loan associations, provincial and dominion—Manitoba, Saskatchewan, Ontario and the Dominion Farm Loan Boards. There were some questions the other day with regard to their operations, and I have assembled these data which show on what rates these particular associations are operating.

Mr. BOTHWELL: Dr. Coats, with regard to that statement in the appendix, of the Ontario Agricultural Development Board "interest rate of $5\frac{1}{2}$ per cent is as low as is to be found anywhere," and is "4 per cent less than is otherwise charged throughout the province." Coming back to this table which shows interest rates on city and farm properties, it shows an average of around 6 per cent for Ontario; that would mean something like $9\frac{1}{2}$ per cent should be shown as the average?

The CHAIRMAN: Yes, that is the statement in the report of the Ontario Agricultural Development Board, at page 4.

Mr. BOTHWELL: According to table V, Ontario loans earn 6.74 per cent; 6.19 per cent, and so on.

Mr. MARSHALL: The reason that we included this statement in the memorandum is simply to show you what the interest rate was. We really might have just merely mentioned interest rate, without quoting the whole sentence. That is the statement of the Ontario Agricultural Development Board, it is not ours.

Mr. BOTHWELL: There must be loans in Ontario, then, as high as $9\frac{1}{2}$ per cent, if their statement is correct.

Mr. SANDERSON: No, that can't be, there are no $9\frac{1}{2}$ per cent loans.

Mr. MARSHALL: If there are loans like that we have no evidence of it, bring by the returns from the Dominion Mortgage Investment Association.

Mr. SANDERSON: I do not think there are any loans at $9\frac{1}{2}$ per cent.

Mr. BOTHWELL: Then, that statement is incorrect.

Mr. LAWSON: Did I understand Mr. Marshall to say that that sentence was taken from the report of the Agricultural Development Board of Ontario?

Dr. COATS: Yes, from page 4 of their report for year ending October 31, 1931.

The CHAIRMAN: Are there any questions, further, in regard to this memorandum? Shall we go on with the next heading, number 3 of the Speakman memorandum, "other charges, under various classes, as inspection fees, renewal charges, etc."?

Mr. LAWSON: Mr. Chairman, I don't know what the view of the Committee is, but it is almost half-past twelve. There seems a lot that we have to digest in the information given to us this morning.

The CHAIRMAN: Whatever the Committee wishes. We can leave off here and go on with renewal charges, etc., the next day.

Mr. SPEAKMAN: If there is a brief statement of these charges, Mr. Chairman, it might be given now and we would have it, to look over in the meantime.

Mr. LAWSON: Interest charges is a subject matter all by itself, and we have a very considerable amount of information about it here.

The CHAIRMAN: As the Committee wishes—shall we adjourn, or shall we continue? I think, Dr. Coats, you might go on with what you have there. We will deal with the next heading: information on inspection fees, renewal charges, etc. That is the next item in the Speakman memorandum.

Dr. COATS: We have some notes here.

The CHAIRMAN: Well, there is no motion to adjourn, Dr. Coats.

Dr. COATS: I will ask Mr. Marshall to tell you what we have gathered under this head.

Mr. MARSHALL: This information is headed:

NOTE ON INSPECTION FEES, RENEWAL CHARGES, ETC.

We have been given information of only a very general character applying to members of the Dominion Mortgage and Investments Association. There appears to be a great diversity of practice extending to almost every company and varying with individual loans.

A common practice seems to be as follows: The person desiring to take out a mortgage approaches an agent who deals with a loan company. The mortgagee company pays the agent one per cent commission which is not charged to the loan. The borrower (mortgagor) may pay a further \$5 plus 10 cents a mile to the agent. In lieu of the above \$7.50 may be charged by the company for inspection in which case this sum would be deductible from the mortgage and the agent would receive only 1 per cent.

During the period of the mortgage there may be additional inspections which may not cost anything or may cost on the average five dollars.

Renewals may cost nothing but if they require searching, conveyancing or other incidentals a fee averaging seven dollars and fifty cents may be charged. A great many seems to be free if the mortgagor has a good record with the company.

One company reported:—

At both our Saskatchewan and Manitoba branch the charge for renewal of a City loan is \$5. The cost of a renewal of a farm loan in Manitoba has apparently been \$5, and in Saskatchewan \$3.50. We assume the reason why these fees are so low is owing to the fact that we had recent information from the Inspector on the securities, thus obviating the necessity of a new report.

In Manitoba during the last two years there were quite a number of loans renewed in connection with which no charge whatever was made. In Saskatchewan they state that a "charge for renewal has only been made where it has been considered justifiable, and we have in quite a large number of cases put through renewals without any charge whatsoever in order to assist the borrower."

In the case of members of the Dominion Mortgage Association, legal costs are said to be much lower than is the case with private mortgage lending.

A schedule of legal costs was obtained from one Trust Company.

New Mortgages

On mortgages up to \$3,000, 1 per cent of value of property.
Excess over \$3,000 up to \$20,000, $\frac{1}{2}$ of 1 per cent of value of property.
Excess over \$20,000, $\frac{1}{4}$ of 1 per cent of value of property.
There is a minimum charge of \$15.

Renewals

Minimum, \$10; sometimes \$25 or \$35.
Discharge usually \$5.

To obtain exact and comprehensive information all companies would have to be circularized.

Reports of various Farm Loan Boards indicate that inspection or appraisal fees and legal costs are charged. Detailed data on these points must be secured.

Information would have to be obtained from private lenders if the picture of fees and charges is to be complete.

The CHAIRMAN: Is that all you have on that?

Mr. MARSHALL: Yes.

Mr. STANLEY: Was this memorandum which Mr. Marshall read given by the Mortgage Association or was that your summary?

Mr. MARSHALL: This was my own summary, information I got from that and from some other sources.

Dr. COATS: I am a little bit at a loss to know what we should do in a case like this. That is very fragmentary information, of course, and I do not know that we have an instruction from the Committee to go into these things with the elaboration that is necessary if you want to have a really reliable and comprehensive view of the subject itself. It is the same with these interest rates I have given you to-day. It is distinctly a "scratch" job. I think it is valuable, so far as it goes, but it is not put forward as the kind of a statement I would like to make as to the subject of interest rates during the past eight or ten years. We can elaborate, but it can't be done in a week or ten days; just as, if you want to have a really all round view of this subject of subsidiary charges, there will have to be some digging, some delving into things, and some time taken in covering sources of information, and being sure that we have given them thorough revision, and so forth and so on. What we have to date is not a complete statistical presentation of the matter.

Mr. MORAND: Would it be possible, Doctor, to get the arrears of interest by provinces, and the number of years in arrears? For instance, the total amount in loans which are 1, 2, 3, 4, or 5 years in arrears; and the total amount of arrears in each of the provinces. Is that something that you could get from these sources?

Dr. COATS: I think we could get a good deal of that from the organized companies. Of course, it would be a parlous undertaking to try and round up all the mortgages as between individuals.

Mr. MORAND: That could not be done, but the companies are all that would be necessary for us to get into the picture.

Dr. COATS: Quite so, I think we could get something on that score from the companies.

Mr. ROBINSON: They usually write arrears off in about five years.

Mr. MORAND: I would like to know whether our people are maintaining, or are capable of maintaining, their interest payments, and what the effect of interest has on the picture of indebtedness generally. I think that will be better than a lot of tables or figures.

Dr. COATS: As a matter of fact, it is published, partially at least, in this report from which I cited a little while ago. It is the basis for one of our tables, the annual report (1932) of the Registrar of Loan and Trust Companies for Ontario. You will find, on page 33, the amount is cited by several companies of the interest due and unpaid at the end of the year. And it would not be a difficult matter to relate that to the total interest payment, and analyze it significantly.

The CHAIRMAN: The committee, then, will request Dr. Coats to get that information.

Mr. WILLIS: I wonder if you could get any more accurate information of what you might term voluntary reduction, that is to say, where the mortgage company realizes the inability of a man to pay off a loan which he owes, due to the accumulation of interest. I think this Committee could do, perhaps, valuable work in that way, if we could find out just how much mortgage companies are actually writing off. You know, I was surprised, when in the office of a mortgage company which is in Manitoba, the last time I was in about a man's loan. The manager of the mortgage company said, we wrote this man and never got a reply, we didn't do anything about his mortgage, then we wrote to his neighbour; he came in and we wrote off \$1,000 of his mortgage, realizing his inability to pay, realizing that from that property even with normal times he could not pay off the mortgage. If we could, through this Committee, indicate what has been done, and what the possibilities are, from the point of view of the mortgage companies and from the point of view of the borrower, I think we would be doing valuable work. I think there are opportunities for the borrower to get written off a portion of his mortgage which he is not aware of, and there are opportunities, from the point of view of the mortgage companies, not to kill the bird that is laying the golden egg.

Mr. SPEAKMAN: I might say, Mr. Chairman, that when in the beginning of this inquiry we were discussing the various sources of information, it was suggested that we might obtain some from the debt adjustment boards in the Prairie provinces, from the officials engaged in that work who have covered many thousands of cases. I have been assured by the government of Alberta that they would be very willing to co-operate in this respect. They have done a great deal of that work of adjustment as between creditor and debtor. Just on that account I know they have a lot of valuable information, and further material along the lines suggested might be obtained from them as well as from the companies.

Mr. WILLIS: Their information would be of a wider scope. It would not refer to mortgages alone but to all debts.

Mr. SPEAKMAN: No, it would refer to debts of all classes.

The CHAIRMAN: We will get that for you.

Mr. SPENCER: From any of the provinces that have debt adjustment bureaux; there are debt adjustment bureaux in each of the three Prairie provinces.

Mr. STANLEY: In regard to the matter of service charges there is a great deal more of the story, I think, that might be brought to the attention of the Committee than was given in the little memorandum which Mr. Marshall read. Whilst it may not be of particular value as a question of statistics, I believe it would be of value for the Committee to go into that matter with more care and give us a good deal more information as to the actual charges made in placing mortgages, in discharging mortgages and in inspecting mortgages from time to time, and at various sums and on various classifications of mortgages; because some of the most bitter complaints we hear are from those with small mortgages trying to discharge them, and the cost of their discharge as well as the cost of inspection in connection therewith, and all the various details which go into what might be called services in placing and discharging mortgages.

The CHAIRMAN: I think you have a good deal more information, Doctor, you can put together for the next meeting.

The Committee adjourned to the call of the Chair.

APPENDIX "F"

THE SECRETARY OF STATE OF CANADA

OTTAWA, March 28, 1933.

Dear Mr. MATTHEWS,—With further reference to your letter of the 8th instant, I am sending you herewith a copy of a memorandum which has been transmitted to me by the Provincial Secretary of British Columbia, in answer to the questions prepared by a sub-committee of the Committee on Banking and Commerce, concerning debts and interest rates within Canada.

Yours very truly,

C. H. CAHAN,

Secretary of State.

R. C. MATTHEWS, Esq., M.P.,
House of Commons,
Ottawa, Ontario.

(Copy)

VICTORIA, March 18, 1933.

MEMORANDUM FOR THE HON. ATTORNEY-GENERAL

Re Interest and Debts

It is perhaps needless to remark that the general questions raised by the attached letter from the Secretary of State are not only of great importance, but demand a great deal of study and thought. I have not had an opportunity to consider the subject in any sufficient way and offer no apologies for the shortcomings of this memorandum. The principles and points involved are such that eminent counsel in the law could argue them for many hours.

There seems to be no direct authority on the extent of the jurisdiction of the Dominion in respect of the subject matter "Interest" as conferred upon it by section 91 of the British North America Act. There are only a few decisions by Courts of first instance. I have not had time to explore the various text books, but came across certain remarks in Lefroy, which indicate the aspects of the problem. It is asked whether the power can interfere with the jurisdiction as to contracts, even if they are contracts to secure payment of money, that is, where interest is only incidental to the contract. Is the power merely one of "general legislation on the subject of interest." Can the Dominion "fix what shall be the legal rate of interest apart from agreement or express Provincial enactment and pass usury laws restricting the charging of interest."

Lefroy ("Canada's Federal System," p. 276) quotes an extract from the case of *Bradburn v. Edinburgh Assurance Co.*—(1903) 5 O.L.R. 657, as follows:—

It is argued for the defendants that the right of the Dominion to legislate is only as to rate, as to usury, leaving details and matters affecting contracts to the Provinces. On the other hand it is argued by the plaintiffs that the Dominion was intended to have, and has, power to deal with interest as to rate, and, also, when it shall, and when it shall not be payable, even if, in so dealing with it, in concrete instances, there is an apparent interference with property and civil rights. . . . I

do not overlook the argument that, as a logical result, the Dominion can legislate to limit any contract to the shortest duration when interest is involved.

The only legislation passed by the Dominion and directly dealing with the subject of interest consists of the "Interest Act" and the "Money Lenders Act." The former Act has been upheld in several cases. There are, of course various other Acts which contain provisions respecting interest. The "Interest Act" itself in effect covers the whole field, but provides that in the absence of agreement the legal rate of interest shall be five per cent. Certain other sections expressly relate to mortgages on real estate and other provisions fix the rate of interest in respect of judgments for British Columbia and certain other Provinces. Then, of course, there are sundry Provincial enactments which fix the amount of interest which shall be paid under certain conditions.

It would seem that the first thing is to form some idea as to the extent of the general power concerning interest, what is the meaning of that term and the scope of the power. It will be noted that the word "interest" stands by itself and it is clear that interest is not a thing which can exist by itself, but must arise out of a contractual relationship, voluntary or compulsory. If one applies the ordinary principles of construing the British North America Act it would seem to follow that the Dominion has an exclusive power over the whole field of interest and that it could pass much wider legislation than it has hitherto done.

My "guess" is that there is no limit whatever to the Federal power if its exercise is strictly confined to the subject of interest, and that legislation can be passed dealing not only with the rate of interest or the time during which it shall be paid, but also with regard to particular classes of companies or business and applicable to any part of the Dominion. The power must be properly used. For instance, the legislation may lay down what interest shall be chargeable on loans made to wheat growers, or say that automobile financing companies shall not charge more than a certain rate of interest, but it is invalid legislation when the Dominion in an "Insurance Act" provides that it shall be a condition of a company's licence that it shall make a loan on a policy at a rate of interest not exceeding six per cent.

Attempting then to apply these ideas to the questions put by the Secretary of State I would offer the following submissions: —

Question 1. Answer in the affirmative, and it would seem to be immaterial when the corporations were created. Banks are an example of corporations falling within this question.

Question 2. Answer in the affirmative, but so far as corporations "other than Federal" are concerned the Dominion perhaps could not interfere with a contract made with a foreign company outside Canada, though the party liable for the interest might reside within Canada.

Question 3. Answer in the affirmative, but the fact that the contract is a bill of exchange or promissory note would not, I think, increase the Dominion powers. Those would still be subject to the general principles.

Question 4. Answer in the negative. I do not think that the Dominion has any exclusive powers in respect of debts, except in so far as they relate to a subject matter like bankruptcy. Debt would seem to fall within the Provincial field of property and civil rights.

H. G. GARRETT,
Registrar of Companies.

APPENDIX "G"

INTEREST CHARGES

Interest charges may be considered from the point of view of the actual payments which have to be made on outstanding indebtedness and also as regards the trend of interest rates over a period. In the latter case, the rates represent the prevailing cost of money at any particular date. In the following tables, information is furnished from both points of view where possible.

Table I shows the total indebtedness of governments and corporations together with the annual interest payment. The average rate of interest shown in Column 111 has been calculated by expressing Column 11 as a percentage of Column 1.

Table II shows the average interest rate payable on the Dominion Funded debt from 1913 to 1932. It will be noticed that since 1922 the rate has been slowly declining.

Table III shows the maximum and minimum average interest and discount rates charged by all banks on loans or advances in Canada during the years 1930, 1931 and 1932. (Based on quarterly report of Banks to the Inspector General of Banks).

Bank call loan rates have been reported as 6 per cent for the last few years.

Table IV shows the average rates of interest received and paid by Loan Companies registered in Ontario.

Table V shows average mortgage rates, rural, urban and total charged by 57 members of the Dominion Mortgage Association in 1929, 1930 and 1931.

Table VI gives additional information on mortgage rates and covers the period 1917 to 1931. The rates in this table relate to one large company only. They cover:

1. Average rate of interest in new business accepted and completed in specified years; 2, average rate of renewal in specified year; and 3, the combination of both. The combined rate has fallen from 8.29 per cent in 1921 to 6.87 per cent in 1931. No separation is made in this table for rural and urban mortgages except in the case of two Ontario counties. In 1931, the order of rates from high to low was as follows:

Alberta, 7.85; Saskatchewan, 7.63; Nova Scotia, 7.52; British Columbia, 7.25; Manitoba, 7.20; New Brunswick, 7.03; Ontario (including city of Montreal), 6.71. In Oxford county the rate was 6.65 per cent and in Brant county 7 per cent.

From 1917 to 1925 inclusive, farm mortgages averaged over 8 per cent in Alberta and Saskatchewan. Probably also in Manitoba. In 1922, in Saskatchewan they averaged 9 per cent. From 1926 on, the tendency has been to lower levels.

For 1929, twenty-one companies reported new mortgages in the West. The interest rates ranged from 6 to 8 per cent, the simple arithmetic average rate being 7.28 per cent. For 1930, eighteen companies reported new mortgages in the West. The interest rates ranged from 6 to 8 per cent, the simple arithmetic average being 7.47 per cent.

For 1931, thirteen companies reported new mortgages in the West. The interest rates ranged from 6 to 8 per cent, the simple arithmetic average being 7.38 per cent.

Table VII shows number of companies reporting specified rates on farm mortgages in Prairie Provinces in 1929, 1930 and 1931.

Table VIII shows the yields of Ontario Bonds from 1900 to 1933. This table furnishes a good historical record of the trend of interest rates over a long period. It will be noticed that rates have worked to considerably lower levels as compared with the high war and post-war rates.

Table IX represents the same data in the form of index numbers. Taking interest rates in 1926 as equal to 100, the February index was 98.7. In October, 1920, the index was 129.4.

Table X shows the yield on certain Dominion Government Bonds since 1926. These yields are usually very similar to those for Ontario, but the January and February, 1933, rate drops lower than in the case of Ontario bonds. In February, 1933, the current price of long term money loaned on the highest grade security was 4.49 per cent.

An appendix gives some information regarding rates of interest charged by Farm Loan Boards.

TABLE 1.—DOMINION BUREAU OF STATISTICS, CANADA

INTEREST PAYMENTS ON PUBLIC DEBT OF CANADA, ITS PROVINCES AND MUNICIPALITIES AND ON THE FUNDED DEBT OF CORPORATIONS

(Latest Available Figures)

	Amount outstanding	Interest	Average rate
			\$ %
Net Debt of Canada, March 31, 1932.....	2,375,846,172	(a) 118,244,743	4.97
Guaranteed Debt of Canada.....	1,000,522,406	43,348,833	4.33
Gross Direct Liabilities of Provinces, fiscal years ended in 1932.....	1,363,382,464	62,715,593	4.6
Indirect Liabilities of Provinces, fiscal years ended in 1932.....	215,977,011	9,071,034	4.2
Grand Total Direct Liabilities of all Canadian Municipalities December 31, 1931, at cost.....	1,584,000,000	77,616,000	4.9
Corporations—			
C.P.R.....	620,000,000	27,900,000	4.5
C.N.R. (unsecured).....	229,000,000	9,847,000	4.3
Other Railway Securities.....	70,000,000	3,150,000	4.5
Other Corporations.....	1,178,000,000	64,672,000	5.49
	8,636,728,053	416,565,203	4.82

(a) Funded debt less interest on loans to Banks, Provinces and Foreign Governments.

TABLE II

AVERAGE INTEREST RATE ON DOMINION FUNDED DEBT, 1913 TO 1932 (BONDS, DEBENTURES, TREASURY BILLS)
(FISCAL YEARS)

	Amount of funded debt outstanding	\$	\$	Average rate of interest
				%
1913.....	260,869,037	8,973,746		3.43
1914.....	311,833,272	11,162,047		3.57
1915.....	358,659,932	13,075,447		3.64
1916.....	508,000,366	20,499,696		4.03
1917.....	893,208,877	39,098,579		4.37
1918.....	1,472,098,608	71,121,368		4.83
1919.....	2,035,218,097	102,218,489		5.02
1920.....	2,596,816,821	134,559,302		5.18
1921.....	2,520,997,021	130,416,007		5.17
1922.....	2,564,587,671	133,482,113		5.20
1923.....	2,547,105,821	131,476,511		5.16
1924.....	2,504,033,820	128,571,337		5.13
1925.....	2,503,763,169	125,928,071		5.02
1926.....	2,484,410,336	125,108,738		5.03
1927.....	2,439,340,736	123,399,911		5.05
1928.....	2,377,581,086	119,479,400		5.02
1929.....	2,325,413,986	116,843,934		5.02
1930.....	2,250,837,286	112,942,215		5.01
1931.....	2,320,832,286	115,491,955		4.97
1932.....	2,579,238,724	128,188,969		4.97

TABLE III

MAXIMUM AND MINIMUM AVERAGE INTEREST AND DISCOUNT RATES CHARGED BY ALL BANKS ON LOANS OR ADVANCES IN CANADA DURING THE YEARS 1930, 1931 AND 1932

	Average % Interest		Average % Discount	
	Maximum	Minimum	Maximum	Minimum
1930.....	6.43	6.29	6.99	6.86
1931.....	6.39	6.05	6.80	6.66
1932.....	6.18	6.03	6.81	6.67

N.B. These average rates include call loan transactions on which for some years past prevalent interest rate has been 6%.

TABLE IV
LOAN COMPANIES, ONTARIO REGISTRY

	Average rate of interest paid on		Average rate of interest received on			
	Deposits	Debentures and debenture stock	Mortgages	Col-lateral loans	Bonds, debentures and stocks	Stocks
1921.....	3.58	5.30	7.43	6.12	5.32	.....
1922.....	3.42	5.23	6.92	5.83	5.72	.....
1923.....	3.41	5.27	7.18	6.69	5.75	.....
1924.....	3.64	5.21	7.06	6.46	5.82	.....
1925.....	3.64	5.18	7.03	6.37	5.89	.....
1926.....	3.61	5.22	6.99	6.36	5.71	.....
1927.....	3.59	5.02	6.95	6.35	5.67	.....
1928.....	3.59	4.95	6.83	6.38	5.48	.....
1929.....	3.64	4.41	6.81	6.59	6.37	.....
1930.....	3.42	4.28	6.65	4.34	4.43	6.91
1931.....	3.70	4.73	6.56	4.58	5.94	6.29

TABLE V.—AVERAGE RATE OF INTEREST CHARGED ON NEW REALTY MORT

Company	Maritimes			Ontario		
	Farm	City	All	Farm	City	All
A 1929.....				6.32	6.25	6.25
1930.....				6.31	6.26	6.26
1931.....				6.30	6.26	6.26
B 1929.....				6.50	6.10	6.10
1930.....				6.50	6.40	6.40
1931.....					6.00	6.00
C 1929.....	6.50	6.50	6.50		6.30	6.30
1930.....	6.50	6.50	6.50		6.39	6.39
1931.....	6.50	6.50	6.50		6.21	6.21
D 1929.....					6.50	6.50
1930.....					6.50	6.50
1931.....					6.50	6.50
E 1929.....				(1) 7.44		
				(2) 7.63		
1930.....				(1) 7.61		
				(2) 7.43		
1931.....				(1) 7.50		
				(2) 7.07		
F 1929.....						6.66
1930.....						6.64
1931.....						6.63
G 1929.....	6.50			7.00	6.82	
1930.....				7.00	6.82	
1931.....				7.00	6.80	
H 1929.....						(4) 6.52
						(5) 6.55
1930.....						(4) 6.52
						(5) 6.51
1931.....						(4) 6.50
						(5) 6.58
I 1929.....				6.06	6.32	6.29
1930.....				6.06	6.30	6.29
1931.....				6.06	6.32	6.29
J 1929.....					6.50	
1930.....					6.50	
1931.....					6.50	
K 1929.....				6.50	6.50	6.50
1930.....				6.50	6.50	6.50
1931.....				6.50	6.50	6.50
L 1929.....					7.07	7.07
1930.....					7.00	7.00
1931.....					7.00	7.00
M 1929.....				6.50	6.60	6.50
1930.....				6.40	7.00	6.60
1931.....				6.50	6.50	6.50
N 1929.....					6.50	
1930.....					6.50	
1931.....					6.50	
O 1929.....				6.50	6.23	6.29
1930.....				6.50	6.50	6.50
1931.....				6.56	6.41	6.45
P 1929.....						
1930.....						
1931.....						

(1) Nova Scotia. (2) New Brunswick. (3) Including Montreal. (4) Company Funds.

GAGES MADE IN THE YEARS 1929, 1930 AND 1931—(57 COMPANIES)

Quebec			Prairie			British Columbia		
Farm	City	All	Farm	City	All	Farm	City	All
	6.32	6.32	7.40	6.94	7.25	7.46	6.90	6.90
	6.34	6.34	7.39	6.93	7.20	7.46	6.89	6.90
	6.34	6.34	7.44	6.89	7.23	7.27	6.92	6.92
	6.06	6.06	7.60	6.60	7.40			
	6.40	6.40	7.70	6.60	7.40			
	6.30	6.30	7.60	6.90	7.00			
	6.14	6.14	7.70	6.76	7.35		6.54	6.54
	6.42	6.42	7.94	6.81	7.42		6.82	6.82
	6.44	6.44	8.00	6.73	6.86		6.62	6.62
				8.00	8.00			
				8.06	8.00			
					7.46			7.1
					7.38			7.1
					7.14			7.1
					7.48			7.0
					7.45			6.9
					7.44			6.90
	6.64		8.00	7.10			7.00	
	6.64		8.00	7.00			7.00	
	6.64		8.00	7.00			7.00	
					(4) 7.28			(5) 7.28
					(4) 7.48			(5) 7.28
	(4) 6.50				(4) 7.67			(5) 7.00
	(5) 6.42							
			6.50					
			6.50					
			6.50					
	6.50							
	6.19							
	6.32							
	6.17							

(5) Guaranteed Funds.

TABLE V.—AVERAGE RATE OF INTEREST CHARGED ON NEW REALTY MORT

Company .	Maritimes			Ontario		
	Farm	City	All	Farm	City	All
Q 1929.....					6.37	6.37
1930.....					6.46	6.46
1931.....					6.42	6.42
R 1929.....				6.50	6.50	7.00
1930.....				6.50	6.50	7.00
1931.....				6.50	6.50	7.00
S 1929.....				6.50	6.60	6.60
1930.....				6.30	6.80	7.00
1931.....				6.30	6.90	6.50
T 1929.....				6.50	6.50	6.50
1930.....				6.50	6.50	6.50
1931.....				6.50	6.50	6.50
U 1929.....					6.21	6.21
1930.....					6.28	6.28
V 1929.....				6.87	6.46	6.56
1930.....				6.89	6.65	6.70
1931.....				6.93	6.54	6.59
W 1929.....					6.76	6.76
1930.....					6.50	6.50
1931.....						
X 1929.....				6.25	6.50	6.50
1930.....				6.25	6.63	6.63
1931.....					6.56	6.56
Y 1929.....					6.47	6.47
1930.....					6.42	6.42
1931.....					6.14	6.14
Z 1929.....						
1930.....					6.00	6.00
1931.....					6.00	6.00
A1 1929.....				6.63	6.65	6.64
1930.....				6.80	6.90	6.87
1931.....				6.80	6.80	6.80
B1 1929.....						
1930.....						
1931.....						
C1 1929.....		6.75	6.75			
1930.....		6.60	6.60			
1931.....		6.40	6.40			
D1 1929.....					6.00	6.00
1930.....					6.50	6.50
1931.....					6.18	6.18
E1 1929.....						
1930.....						
1931.....						
F1 1929.....						
1930.....						
1931.....						
G1 1929.....	8.00	7.50	7.71			
1930.....	8.00	7.50	7.67			
1931.....	8.00	7.50	7.71			
H1 1929.....						
1930.....						
1931.....						

(1) Manitoba figures only.

GAGES MADE IN THE YEARS 1929, 1930 AND 1931—(57 COMPANIES)—Continued

Quebec			Prairie			British Columbia		
Farm	City	All	Farm	City	All	Farm	City	All
	6.34	6.34	7.45	6.57	6.63			
	6.50	6.50	7.80	6.79	6.82			
	6.46	6.46		7.25	7.25			
	6.12	6.12						
	5.83	5.83						
	5.85	5.85	(1)	7.00	(1)	7.00		
			7.38		7.38			
			7.39		7.39			
			7.00		7.00			
	6.15	6.15	7.40	7.00	7.09		7.10	7.10
	6.43	6.43		6.83	6.83		7.04	7.04
	6.47	6.47		6.68	6.68		7.00	7.00
	6.00	6.00						
	6.00	6.00						
			7.85	7.00	7.85			
			7.80	7.40	7.78			
			6.00	7.25	7.00			
			6.00	7.25	7.00			
			6.00	7.25	7.00			
	6.13	6.13		6.56	6.56			
	6.42	6.42		6.54	6.54			
	6.25	6.25		7.00	7.00			
			8.00	8.00	8.00		8.00	8.00
			8.00	8.00	8.00		8.00	8.00
			8.00	8.00	8.00		8.00	8.00
						7.91	7.12	7.48
						8.00	7.27	7.41
						8.20	7.16	7.56
			8.00	9.32	9.29			
			8.00	9.61	9.58			
				9.73	9.73			

TABLE V.—AVERAGE RATE OF INTEREST CHARGED ON NEW REALTY MORT

Company	Maritimes			Ontario		
	Farm	City	All	Farm	City	All
I1 1929.....						
1930.....						
1931.....						
J1 1929.....						
1930.....						
1931.....						
K1 1929.....				6.58	6.80	6.74
1930.....				7.00	6.70	6.75
1931.....				7.00	6.62	6.85
L1 1929.....					6.49	6.49
1930.....					6.47	6.47
1931.....	6.00	6.00			6.42	6.42
M1 1929.....	6.77	6.77	7.00	6.47	6.57	
1930.....	7.00	7.00		6.63	6.63	
1931.....	7.00	7.00		6.50	6.50	
N1 1929.....						
1930.....						
1931.....						
O1 1929.....						
1930.....						
1931.....						
P1 1929.....				6.00	6.00	
1930.....				6.19	6.19	
1931.....						
Q1 1929.....				6.68	6.52	6.53
1930.....				6.50	6.56	6.55
1931.....					6.49	6.49
R1 1929.....				6.30	6.54	
1930.....				6.16	6.58	
1931.....				6.44	6.63	
S1 1929.....						
1930.....						
1931.....						
T1 1929.....					6.71	6.71
1930.....					6.38	6.38
1931.....					6.10	6.10
U1 1929 This Company gave only figures for all Canada. In 1929—Urban, 6.10% and Farm, 6.50%.						
1930 In 1930—Farm, 6.50%; Urban, 6.12%.						
1931 In 1931—Farm, 6.50%; Urban, 6.12%.						
V1 1929.....				7.92	7.10	7.14
1930.....				8.00	7.02	7.10
1931.....				8.00	6.90	6.91
W1 1929.....	6.50	6.50				
1930.....	7.00	7.00				
1931.....	6.96	6.96				

*Over \$10,000. †Under \$10,000. ‡Alberta figures. §§Manitoba figures.

GAGES MADE IN THE YEARS 1929, 1930 AND 1931—(57 COMPANIES)—Continued

TABLE V.—AVERAGE RATE OF INTEREST CHARGED ON NEW REALTY MORT

Company	Maritimes			Ontario		
	Farm	City	All	Farm	City	All
X1 1929.....				6.50	6.42	.....
1930.....				6.50	6.50	.....
1931.....				6.18	6.48	.....
YI 1929.....		6.50	6.50	.....	6.42	6.42
1930.....		6.50	6.50	.....	6.49	6.49
1931.....		6.50	6.50	.....	6.38	6.38
Z1 1929.....				.....	.....	.....
1930.....				.....	.....	.....
1931.....				.....	.....	.....
A2 1929.....				.....	6.70	6.70
1930.....				.....	6.32	6.32
1931.....				.....	6.55	6.55
B2 1929.....				.....	6.31	6.31
1930.....				.....	6.37	6.37
1931.....				.....	6.35	6.35
C2 1929.....				6.64	6.61	6.61
1930.....				6.64	6.47	6.47
1931.....				.....	6.40	6.40
D2 1929.....	6.50	6.80	6.78	.....	.....	.....
1930.....		6.70	6.70	.....	.....	.....
1931.....		7.00	7.00	.....	.....	.....
E2 1929.....				.....	.....	.....
1930.....				.....	.....	.....
1931.....				.....	.....	.....

GAGES MADE IN THE YEARS 1929, 1930 AND 1931—(57 COMPANIES)—*Concluded*

Quebec			Prairie			British Columbia		
Farm	City	All	Farm	City	All	Farm	City	All
	6.40							
	6.50							
	6.36							
	6.19	6.19	6.26	6.46	6.40	7.20	6.36	6.43
	6.50	6.50	6.35	6.42	6.42	7.00	6.28	6.30
	6.50	6.50	6.27	6.33	6.28		6.42	6.42
			5.50					
	6.46	6.46					7.00	
	6.46	6.46		6.75	6.75			
	6.60	6.60						
	6.37	6.37	7.00		7.00			
	6.50	6.50						
	6.33	6.33						
			7.20	7.20				
			7.30	7.25				
			7.00	7.60				

SELECT STANDING COMMITTEE

TABLE VI

1. AVERAGE RATE OF INTEREST ON NEW BUSINESS ACCEPTED AND COMPLETED
(EXPERIENCE OF ONE COMPANY)

Branch	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931
Ontario (including City of Montreal)	7.09	7.17	7.06	7.30	7.91	7.73	7.48	7.29	6.91	6.83	6.71	6.95	7.11	6.92	6.65
Manitoba	7.67	7.80	7.58	7.74	8.29	8.21	8.01	8.0	7.50	7.22	7.10	7.07	7.04	7.12	7.00
British Columbia	8.12	7.40	8.02	8.13	8.44	8.45	8.22	8.03	7.84	7.60	7.39	7.27	7.11	7.15	7.17
Alberta	8.02	8.16	8.08	8.17	8.68	8.68	8.35	8.23	8.13	7.93	7.75	7.73	7.81	7.39	7.29
Saskatchewan	8.05	8.03	8.02	8.06	8.54	8.97	8.49	8.19	7.97	7.75	7.52	7.48	7.37	7.76	7.61
New Brunswick	7.94	7.98	7.95	8.14	8.58	8.82	8.58	8.30	7.70	7.15	7.91	7.57	7.63	7.43	7.07
Nova Scotia				8.06	8.44	8.34	8.14	8.05	7.88	7.85	7.37	7.68	7.44	7.61	7.50
Oxford County	6.32	7.0	7.10	7.42	7.29	7.13	7.02	6.83	6.66	6.51	6.79	6.85	6.98	6.7	
Brant County											6.63	6.88	7.0	7.0	7.0
Total	7.64	7.76	7.51	8.07	8.35	8.07	7.72	7.54	7.15	6.99	6.88	7.08	7.10	6.99	6.84

TABLE VI—Continued

2. AVERAGE RATE OF INTEREST ON AMOUNT RENEWED DURING YEAR
(EXPERIENCE OF ONE COMPANY)

Branch	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931
Ontario (including City of Montreal)	7.07	7.12	7.17	7.45	7.98	7.70	7.61	7.35	7.09	6.97	6.75	6.75	6.83	6.89	6.80
Manitoba	7.55	7.79	7.43	7.87	8.08	8.16	8.01	7.90	7.85	7.76	7.50	7.29	7.36	7.45	7.29
British Columbia	7.96	7.97	7.88	8.09	8.12	8.49	8.16	7.79	8.03	7.87	7.57	7.26	7.17	7.41	7.39
Alberta	8.13	8.37	7.65	8.20	8.77	8.64	8.47	8.34	8.28	8.20	8.05	8.03	7.99	7.90	8.12
Saskatchewan	8.12	8.14	8.12	8.31	8.77	8.95	8.64	8.22	8.14	8.22	8.15	7.94	7.89	8.12	7.65
New Brunswick	7.94	7.98	7.98	8.03	8.46	8.57	8.41	8.25	8.10	8.06	8.12	8.16	7.50	7.56	6.91
Nova Scotia				7.40	8.18	8.38	8.09	7.95	8.06	7.86	7.89	7.96	8.08	7.71	8.0
Oxford County	6.59	6.76	7.02	7.38	7.24	7.15	7.05	6.70	6.9	6.83	6.5	6.81	6.5	6.5	
Brant County											6.5	6.55		7.0	7.0
Total	7.54	7.57	7.53	7.83	8.17	8.09	8.06	7.66	7.51	7.57	7.30	7.06	7.04	7.05	6.90

TABLE VI—Concluded

3. AVERAGE RATE OF INTEREST ON (1) AND (2) COMBINED
(EXPERIENCE OF ONE COMPANY)

Branch	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931
Ontario (including City of Montreal)	7.08	7.14	7.09	7.40	7.94	7.72	7.49	7.31	6.95	6.84	6.71	6.89	7.00	6.91	6.71
Manitoba	7.58	7.79	7.49	7.78	8.20	8.18	8.01	7.94	7.69	7.50	7.34	7.20	7.20	7.34	7.20
British Columbia	7.99	7.77	7.06	8.12	8.30	8.46	8.21	7.97	7.90	7.68	7.42	7.27	7.14	7.25	7.25
Alberta	8.06	8.19	7.98	8.18	8.69	8.68	8.38	8.26	8.18	8.03	7.83	7.79	7.85	7.60	7.85
Saskatchewan	8.08	8.07	8.05	8.14	8.57	8.96	8.60	8.21	8.07	8.05	7.82	7.67	7.52	7.89	7.63
New Brunswick	7.95	7.98	7.95	8.13	8.55	8.79	8.54	8.29	7.83	7.45	7.97	7.78	7.58	7.49	7.03
Nova Scotia				8.04	8.43	8.34	8.13	8.03	7.94	7.85	7.45	7.76	7.53	7.62	7.52
Oxford County	6.46	6.80	7.05	7.40	7.26	7.14	7.04	6.74	6.8	6.56	6.68	6.82	6.8	6.65	
Brant County											6.61	6.64	7.0	7.0	7.0
Total	7.60	7.70	7.51	7.89	8.29	8.07	7.79	7.58	7.25	7.10	6.94	7.08	7.14	7.01	6.87

TABLE VII

AVERAGE RATES REPORTED ON NEW FARM MORTGAGES IN PRAIRIE PROVINCES, 1929, 1930 AND 1931 SHOWING NUMBER OF COMPANIES REPORTING EACH RATE

Year	Total companies	Simple arithmetic average	Per cent												
			6-00	6-26	6-27	6-35	6-50	6-68	7-00	7-20	7-25	7-30	7-36	7-37	7-38
		%													
1929	21	7.28	1	1			1		1			1		1	2
1930	18	7.47	1			1	1					1		1	
1931	13	7.38	1		1		1		2						

Year	Total companies	Simple arithmetic average	Per cent												
			7-44	7-45	7-56	7-59	7-60	7-70	7-77	7-80	7-84	7-85	7-90	7-94	7-96
		%													
1929	21	7.28		1	1		1	1	1		1	1			4
1930	18	7.47				1		1		2			1	1	5
1931	13	7.38	1			1				1			1	1	4

TABLE VIII

YIELD OF ONTARIO BONDS, 1900-FEBRUARY, 1933

Based on information supplied monthly by Messrs. Wood, Gundy and Company, Ltd., as to yields of most popular Ontario Bonds

—	1900	1901	1902	1903	1904	1905	1906	1907			
January.....	3.50	3.73	3.80	3.76	3.76	3.75	3.65	3.75			
April.....	3.55	3.76	3.80	3.76	3.76	3.60	3.65	3.90			
June.....	3.60	3.77	3.80	3.76	3.80	3.55	3.65	4.10			
October.....	3.70	3.77	3.80	3.76	3.80	3.60	3.68	4.20			
December.....	3.72	3.80	3.76	3.76	3.75	3.65	3.70	4.25			
—	1908	1909	1910	1911	1912	1913	1914	1915			
January.....	4.25	3.95	3.90	4.00	4.00	4.25	4.40	4.25			
April.....	4.20	3.90	3.95	3.88	4.10	4.30	4.35	4.40			
June.....	4.15	3.85	3.95	3.88	4.15	4.35	4.25	4.50			
October.....	4.10	3.85	3.95	3.90	4.20	4.40	4.25	5.00			
December.....	4.00	3.90	4.00	4.00	4.25	4.40	4.25	5.25			
—	1916	1917	1918	1919	1920	1921	1922				
January.....	5.25	4.90	6.00	5.80	5.75	6.00	5.60				
April.....	5.30	5.25	6.00	5.60	5.80	6.00	5.40				
June.....	5.25	5.50	6.05	5.40	6.00	6.05	5.40				
October.....	5.00	5.90	6.00	5.60	6.20	6.05	5.35				
December.....	4.90	6.00	6.00	5.75	6.45	5.72	5.42				
—	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933
January.....	5.40	5.10	4.75	4.80	4.65	4.30	4.65	4.90	4.55	5.74	4.75
February.....	5.30	5.08	4.80	4.80	4.65	4.20	4.70	4.90	4.55	5.55	4.73
March.....	5.25	5.08	4.80	4.80	4.60	4.25	4.85	4.85	4.45	5.30
April.....	5.15	5.08	4.80	4.80	4.56	4.25	4.95	4.85	4.45	5.33
May.....	5.15	5.08	4.75	4.80	4.55	4.35	5.00	4.85	4.40	5.42
June.....	5.15	5.07	4.75	4.80	4.55	4.40	4.95	4.83	4.40	5.48
July.....	5.15	4.96	4.75	4.80	4.55	4.50	4.95	4.80	4.45	5.30
August.....	5.15	4.75	4.75	4.80	4.55	4.60	4.90	4.60	4.40	4.95
September.....	5.15	4.75	4.75	4.80	4.55	4.60	5.00	4.45	4.65	4.88
October.....	5.17	4.80	4.80	4.80	4.50	4.55	4.95	4.50	4.95	4.70
November.....	5.14	4.75	4.80	4.75	4.47	4.55	4.95	4.50	5.05	4.90
December.....	5.14	4.75	4.80	4.75	4.35	4.60	4.90	4.50	5.20	4.92

TABLE IX

INDEX NUMBERS OF INTEREST RATES IN CANADA CALCULATED FROM YIELDS OF ONTARIO BONDS, 1900-19

Base 1926=100

—	1900	1901	1902	1903	1904	1905	1906	1907	
January.....	73.1	77.9	79.3	78.5	78.5	78.5	76.2	78.3	
April.....	74.1	78.5	79.3	78.5	78.5	75.2	76.2	81.4	
June.....	75.2	78.7	79.3	78.5	79.3	74.1	76.2	85.6	
October.....	77.2	78.7	79.3	78.5	79.3	75.2	76.8	87.7	
December.....	77.7	79.3	78.5	78.5	78.3	76.2	77.2	88.7	
—	1908	1909	1910	1911	1912	1913	1914	1915	
January.....	88.7	82.5	81.4	83.5	83.5	88.7	91.9	88.7	
April.....	87.7	81.4	82.5	81.0	85.6	89.8	90.8	91.9	
June.....	86.6	80.4	82.5	81.0	86.6	90.8	88.7	93.9	
October.....	85.6	80.4	82.5	81.4	87.7	91.9	88.7	104.4	
December.....	83.5	81.4	83.5	83.5	88.7	91.0	88.7	109.6	
—	1916	1917	1918	1919	1920	1921	1922	1923	1924
January.....	109.6	100.2	125.3	121.1	120.0	125.3	116.9	112.7	106.1
April.....	110.6	109.6	125.3	116.9	121.1	125.3	112.7	107.5	106.1
June.....	109.6	114.8	126.3	112.7	125.3	126.3	112.7	107.5	105.1
October.....	104.4	123.2	125.3	116.9	129.4	126.3	111.7	107.9	100.1
December.....	102.3	125.3	125.3	120.0	128.4	119.4	113.2	107.3	99.1
—	1925	1926	1927	1928	1929	1930	1931	1932	1933
January.....	99.2	100.2	97.1	89.8	97.1	102.3	95.0	119.8	99.2
February.....	100.2	100.2	97.1	87.7	98.1	102.3	95.0	115.9	98.7
March.....	100.2	100.2	96.0	88.7	101.3	101.3	92.9	110.6	...
April.....	100.2	100.2	95.2	88.7	103.3	101.3	92.9	111.3	...
May.....	99.2	100.2	95.0	90.8	104.4	101.3	91.9	113.2	...
June.....	99.2	100.2	95.0	91.9	103.3	100.8	91.9	114.4	...
July.....	99.2	100.2	95.0	93.9	103.3	100.2	92.9	110.6	...
August.....	99.2	100.2	95.0	96.0	102.3	96.0	91.9	103.3	...
September.....	99.2	100.2	95.0	96.0	104.4	92.9	97.1	101.9	...
October.....	100.2	100.2	93.9	95.0	103.3	93.9	103.3	98.1	...
November.....	100.2	99.2	93.3	95.0	103.3	93.9	105.4	102.3	...
December.....	100.2	99.2	90.8	96.0	102.3	93.9	108.6	102.7	...

TABLE X
YIELD ON DOMINION GOVERNMENT BONDS, SINCE 1926
REFUNDING LOANS, 1940, 1943, 1944 AND 1946

—	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1919.....	5.99	5.97	5.92	5.84	5.77	5.71	5.67	5.67	5.71	5.74	5.74	5.74
1920.....	5.74	5.74	5.78	5.88	6.05	6.13	6.16	6.13	6.17	6.29	6.41	6.41
1921.....	6.25	6.07	5.98	6.02	6.03	6.05	6.03	6.05	6.05	6.05	5.97	5.83
1922.....	5.68	5.60	5.58	5.50	5.43	5.42	5.42	5.47	5.47	5.50	5.47	5.45
1923.....	5.40	5.28	5.22	5.18	5.22	5.22	5.22	5.20	5.22	5.25	5.28	5.28
1924.....	5.25	5.22	5.20	5.20	5.20	5.20	5.21	5.14	5.09	5.07	5.05	5.05
1925.....	4.93	4.89	4.87	4.85	4.85	4.83	4.82	4.82	4.83	4.85	4.86	4.86
1926.....	4.86	4.83	4.83	4.86	4.85	4.83	4.84	4.84	4.84	4.84	4.84	4.82
1927.....	4.70	4.61	4.61	4.60	4.55	4.63	4.64	4.58	4.58	4.55	4.46	4.35
1928.....	4.32	4.32	4.31	4.30	4.37	4.49	4.52	4.65	4.65	4.64	4.61	4.66
1929.....	4.70	4.75	4.91	4.83	4.83	4.88	5.06	5.01	4.93	5.07	5.06	4.91
1930.....	4.89	4.95	4.86	4.80	4.79	4.73	4.70	4.63	4.54	4.55	4.54	4.55
1931.....	4.57	4.52	4.50	4.43	4.39	4.38	4.37	4.36	4.61	4.97	4.94	5.15
1932.....	5.37	5.23	5.17	5.20	5.19	5.23	5.11	4.83	4.75	4.66	4.80	4.78
1933.....	4.55	4.49										

APPENDIX

Manitoba Farm Loan Association

Commenced business April 1, 1917.

In the fall of 1929 this board was replaced by Canadian Farm Loan Board. No new loans were made by the Manitoba Farm Loan Board since 1929.

On April 30, 1930, there were 2,695 loans on the books as under:—

Date	Number of loans	Rate of interest
1917-21.....	998	6 7/10%
1921-25.....	1,332	7 7/10%
1925-30.....	365	6 1/2 7/10%

Total outstanding \$6,295,381.22.

Saskatchewan Farm Loan Board

First mortgages outstanding December 31, 1930, \$10,573,197.10. First loan made in September, 1917. General rate of interest is $6\frac{1}{2}$ per cent. (Page 39, Sessional Papers of 1927 Session.)

Ontario Agricultural Development Board

Report for year ending October 31, 1931. Page 4 shows outstanding loans, \$35,450,646.

"The interest rate of $5\frac{1}{2}$ per cent is as low as is to be found anywhere and is one to four per cent less than is otherwise charged throughout the province." (Page 4, 1931 Report, Ontario Agricultural Development Board.)

Canadian Farm Loan Board

In existence three years.

Report for 1930-31, page 5:—

"Loans made by the board carry interest at the rate of $6\frac{1}{2}$ per cent per annum and 7 per cent per annum on arrears and are repayable under either a 23-year or a 32-year plan of repayment."

Principal sum of loans secured by mortgage as at March 31, 1932, was \$7,878,740.96.



SESSION 1932-33

HOUSE OF COMMONS



SELECT STANDING COMMITTEE

ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

TUESDAY, APRIL 25, 1933

Order of Reference: *Re Debts and Interest Rates.*

WITNESSES:

Dr. R. H. Coats, F.S.S., Dominion Statistician; S. A. Cudmore, Esq., M.A., F.S.S., Dominion Bureau of Statistics; H. Marshall, Esq., B.A., F.S.S., Dominion Bureau of Statistics.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

THURSDAY, April 13, 1933.

The Select Standing Committee on Banking and Commerce was called to meet this day at 11 a.m.

Members present: Messieurs Arthurs, Baker, Harris, Hurtubise, Lawson, Matthews, Pettit, Smoke and Stanley, 9.

A quorum not being present at 11.22 a.m., the meeting called for this day stands adjourned to meet at the call of the Chair.

T. L. McEVOY,

Clerk of the Committee.

HOUSE OF COMMONS,

THURSDAY, April 20, 1933.

The Select Standing Committee on Banking and Commerce was called to meet this day at 11 a.m.

Members present: Messieurs Bowman, Donnelly, Ganong, Howard, Hurtubise, Lawson, Matthews, Pettit, Robinson, Smoke, Stanley and Willis, 12.

A quorum not being present, at 11.25, the meeting for this day remains adjourned to meet at the call of the Chair.

T. L. McEVOY,

Clerk of the Committee.

HOUSE OF COMMONS,

TUESDAY, April 25, 1933.

The Select Standing Committee on Banking and Commerce met this day at 11 a.m.

On motion of Mr. Stanley:

Resolved: That in the absence of the Chairman, Mr. R. C. Matthews, Mr. R. B. Hanson (*York-Sunbury*) act as vice-chairman.

Mr. R. B. Hanson presided.

The Clerk of the Committee read replies received from the Attorney General of Manitoba and of New Brunswick in answer to questions submitted *re* jurisdiction. (See Appendix "H" and Appendix "I", herewith).

Dr. R. H. Coats, F.S.S., Dominion Statistician, presented the following memoranda:

A. Tables showing mortgages held by Insurance Companies showing interest in arrears one year or more and mortgages written off; Loan and Trust Companies, interest due and unpaid; (printed herewith as Appendix "J");

B. Composition of the Loans in Canada of Canadian Bank of Commerce, in autumn of 1929 and at February, 1932; Assets of Trust and Loan Companies illustrating character of loans; Assets of Life Insurance Companies, showing character of loans; statement of length of loans, generally. (Printed herewith as Appendix "K");

C. Trust and Loan Companies liability to shareholders and dividends paid; Bank Liabilities to shareholders and rate of dividend paid; Rate of Interest paid by one large Loan Corporation on Debentures which it sold, 1917-1932.

Ordered: That Bureau of Statistics prepare a synopsis of Moratoria Acts of various Provinces and of Debt Adjustment Acts of Prairie Provinces for inclusion in record.

The Committee adjourned to meet at the call of the Chair.

T. L. McEVOY,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

APRIL 13, 1933.

The Select Standing Committee on Banking and Commerce was called to meet at 11 o'clock a.m. Mr. R. C. Matthews was in the Chair.

The CHAIRMAN: Gentlemen, the sponsor of the resolution is not here, and there is not a quorum; therefore the meeting called for to-day will stand adjourned to meet at the call of the chair.

The meeting adjourned at 11.22 a.m.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

APRIL 20, 1933.

The Select Standing Committee on Banking and Commerce was called to meet this day at 11.00 a.m. Mr. R. C. Matthews was in the Chair.

The CHAIRMAN: Gentlemen, the sponsor of this resolution may not be here; he has been ill; there is not a quorum; therefore, the meeting called for to-day will remain adjourned to meet at the call of the Chair.

The meeting adjourned at 11.25 a.m.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

TUESDAY April 25, 1933.

The Select Standing Committee on Banking and Commerce met at 11 o'clock a.m., Mr. R. B. Hanson, Acting Chairman, presiding.

Mr. HANSON: Mr. Matthews had to go away to-day, and if it is agreeable, I will act as Chairman for this session only.

Dr. Coats is here, prepared, I understand, to give certain information and evidence along the line of inquiry in Mr. Speakman's resolution, in continuation of the evidence which he has previously given. There have been replies given by the Attorney Generals of New Brunswick and Manitoba as to the constitutional query which was sent out to them from the Secretary of State with respect to this question of interest, and/or reduction of principal of indebtedness. Perhaps we should have those read into the record so that hon. gentlemen may have the opportunity to study them between now and the next session, if they so desire, and then we shall proceed with Dr. Coats, if that is agreeable.

Letters read by Clerk—see appendices "H" and "I".

The ACTING CHAIRMAN: Is it the desire of the Committee that these communications should be printed in the proceedings? (Carried.)

Dr. R. H. COATS recalled.

Dr. COATS: Mr. Chairman, at the last meeting of the Committee, you were dealing with question 3 of Mr. Speakman's resolution, which has to do with inspection fees, renewal charges, etc., and we presented some matter of a general kind which was obtained from the Dominion Mortgage Association. It was the instruction of the Committee that that information should be enlarged. I may say that we have as yet been unable to obtain any further information; but I think it may interest the Committee, if I explain just what steps we have taken on this point. In the first place, we have taken three steps; we are getting a further return on this point of renewal and inspection charges and other charges from the individual mortgage and loaning companies throughout Canada. Secondly, we are endeavouring to get names of a number of representative private loaners in each considerable city and town to whom we will apply for the same information, and then thirdly, as was pointed out, that by applying only to the loaning agencies in each case we might get a biased return, we have selected, from the census of agriculture taken in 1931, the names of some 3,000 farmers who have mortgage encumbrances on their farms, and we have directed an inquiry to them as to the inspection fees and other charges of this kind that they are called on to pay in connection with floating their mortgage, and in that way we will get, I think, a satisfactory return from both sides of the question; although it will take a few weeks' time to get all the matter assembled and analyzed. I hope though, at a later meeting of the Committee, we shall be able to present something worth while.

There were questions raised, at the last meeting of the Committee, by Mr. Willis and Dr. Morand to which we can supply some material answers. Mr. Willis asked this question: "What has been done by the mortgage companies in the way of 'writing-off'?" The answer to that is this: the Dominion Mortgage and Investment Association is looking into this matter and some information will be available later.

Then, Dr. Morand asked this question: "Is it possible to show, by years, and by provinces, the amount of arrears on mortgages; showing whether the arrears are for one, two, three, four or such term of years as it possibly can be shown?" We have prepared some data on this point, which can be circulated to the committee, and which consists of a couple of tables showing the investments of insurance companies, the total outstanding, the total with interest and arrears, one year or more, and the totals that have been written off; secondly, there is a table that shows mortgages, loans and agreements for sale on real estate with interest due and unpaid December 31st, 1930 and 1931, according to the official reports to the province of Ontario from loan corporations and trust companies. These two tables, I think give a pretty good bird's eye view of the situation that Dr. Morand has been enquiring about. (For tables, see Appendix "J").

The ACTING CHAIRMAN: In glancing over the first part of table one, I notice that the ratio of the total outstanding indebtedness of mortgages in the Dominion of Canada to the total in arrears, seems to be about constant, does it not? There seems to be a drop, and then it goes up very rapidly.

Dr. COATS: It drops pretty low—

The ACTING CHAIRMAN: In 1924 total written off was one per cent and in 1931 it was .61.

Dr. COATS: Total in arrears was pretty high between 1921 and 1924, and then it drops in 1928, and is less in 1929. 1928 and 1929 were quite low years.

Mr. PETTIT: What is meant by: "total with interest in arrears one year or more"? Does that mean principal and interest?

The ACTING CHAIRMAN: No, the "total amount of mortgages in millions of dollars with interest in arrears one year or more", which is the caption.

Dr. COATS: Yes.

Mr. PETTIT: In 1921, the total outstanding is listed as 143.9.

The ACTING CHAIRMAN: In 1931 it was \$437,300,000.

Dr. COATS: Yes; out of \$437,300,000 in 1931, \$30,700,000 were in arrears of interest.

The ACTING CHAIRMAN: Or 7.0 per cent.

Mr. PETTIT: I was wondering why the words "total principal and interest" were not used.

Mr. BOTHWELL: Arrears of principal and interest.

The ACTING CHAIRMAN: The second column, I think, is just arrears, "total with interest in arrears one year or more".

Mr. BOTHWELL: In order to understand the first schedule: in 1931, the total amount of mortgage outstanding is \$437,300,000. The total of interest in arrears, one year or more, is \$30,700,000; that is principal and interest.

The ACTING CHAIRMAN: No, that is the total of the principal of the mortgages which are in arrears of interest for one year or more.

Mr. BOTHWELL: That is the principal?

The ACTING CHAIRMAN: No, arrears of interest only.

Mr. BOTHWELL: This \$30,000,000 is the amount of the principal in arrears.

The ACTING CHAIRMAN: No.

Mr. MORAND: Not the amount due.

The ACTING CHAIRMAN: For which the interest is in arrears only; it has no reference to arrears of principal, I understand.

Mr. BOTHWELL: The third and fourth columns explain it.

Dr. COATS: In 1931, the total amount of mortgages was \$437,300,000. Of that total, \$30,700,000 in principal had interest in arrears. In other words, 7 per cent, in the third column, of the loans showed interest in arrears.

The ACTING CHAIRMAN: In the last two columns are shown the total amount written off; is that what they have reported they have written off?

Mr. MARSHALL: Yes.

Dr. COATS: Yes.

The ACTING CHAIRMAN: It is a report on insurance companies only?

Dr. COATS: Quite so.

Mr. BOTHWELL: In the total written off, do you include principal and interest?

Mr. MARSHALL: It includes principal only.

The ACTING CHAIRMAN: This \$2,650,000 which has been written off, I suppose, are loans they have actually written down.

Dr. COATS: Yes, that is the amount of principal written off, not interest.

The ACTING CHAIRMAN: The farm mortgages show a much worse story than other mortgages, there is no doubt about that.

Mr. HOWARD: In the second column, farm mortgages, the total in arrears since 1929, has gone up almost $4\frac{3}{4}$ times.

The ACTING CHAIRMAN: From 8.3 per cent in 1929 to 38.1 per cent of the total in 1931.

Mr. MORAND: Principally Saskatchewan, Alberta and Manitoba.

Dr. COATS: On the second page, you will find a partial analysis of the situation by provinces. We have selected the three western provinces.

Mr. STANLEY: Dr. Coats, will you take the first schedule at the top of page 3, where you show the total outstanding, in 1931, as \$43,400,000. Is that the total?

Dr. COATS: That is the total of mortgages held by insurance companies in the province of Saskatchewan, farm mortgages.

Mr. STANLEY: In which province?

Dr. COATS: Saskatchewan.

Mr. BAKER: On 46 per cent of those interest is in arrears for one year or more.

Dr. COATS: Showing arrears of interest payments.

Mr. BAKER: 42.6 per cent in Manitoba, and Alberta a good deal better—only 22 per cent.

Dr. COATS: 22.3 per cent in Alberta.

Mr. HOWARD: Dr. Coats, have you any guess, for instance, of what percentage that is of the total mortgages owned by insurance companies?

Dr. COATS: That is the total mortgages of insurance companies.

Mr. HOWARD: Do you know what percentage that is of the total mortgages?

Dr. COATS: The only comprehensive figure we have of all mortgages is the figure of the census, which runs to about \$700,000,000 for all Canada.

Mr. MORAND: The ratio would be about the same.

Dr. COATS: I think so, that was the reason why we gave it.

THE ACTING CHAIRMAN: You think this would be a cross section of the whole country?

Dr. COATS: We thought the mortgages of insurance companies would be a typical picture of the general situation.

Mr. SPEAKMAN: With nearly two thirds of the whole, it ought to show a very representative average.

Dr. COATS: Yes, I think so.

Mr. SPEAKMAN: I am afraid there would be more of them in arrears the last two years.

Mr. BAKER: Saskatchewan was in pretty good shape at the end of 1929.

Mr. MORAND: Dr. Coats, in the third column, you show an amount as being written off, is that interest or capital?

Dr. COATS: That is capital.

Mr. BAKER: The writing-off in Manitoba is the heaviest.

Mr. BOTHWELL: Just to make that last question clear. Of this total written off in 1931, taking the province of Saskatchewan, 1.5 per cent, I presume there would be some interest in that, because the interest becomes principal when it goes into arrears.

Dr. COATS: I do not think so.

THE ACTING CHAIRMAN: Their understanding it, it is principal. It all depends on how the mortgage is drawn. I presume that the insurance companies consider as Mr. Bothwell says, that interest in arrears becomes principal.

Dr. COATS: Yes.

Mr. BOTHWELL: Practically all mortgages in the west are drawn that way.

The ACTING CHAIRMAN: Are there any explanations you desire in regard to the last page? You might explain that, Dr. Coats.

Dr. COATS: The total, on page four, is made up with figures from the reports of the loan corporations and trust companies in the list of the Registrar for the province of Ontario; and it shows for the last two years in which those reports are available, 1930 and 1931, the total principal outstanding, and for each year the total amount of interest that is due and unpaid. The operations of these companies extend over the whole of Canada pretty much, and we have divided the returns under the heading "western provinces and eastern provinces" for comparative purposes.

Mr. BAKER: When you look at the large amount of interest due and unpaid with these trust companies, that has a very important bearing on what interest they should be permitted to charge in general, because while it appears on the surface that they, perhaps, should have an average of 7 per cent interest charge, they do not receive 7 per cent on the average.

Mr. STANLEY: Would the term 'eastern provinces' include all the east—the Maritime provinces as well?

Mr. BAKER: They must charge sufficient interest to cover not only those who do pay but to cover those who do not pay if they wish to continue to operate.

Mr. MARSHALL: I think I should make an explanation with regard to the last column. I made some inquiries about these figures as they are shown in the Loan and Trust report of Ontario, and I was informed that those figures for interest due and unpaid certainly are conservative on account of the method by which the loan and trust companies keep their account of overdue interest; and there are certain trust companies evidently that work on what they call the D. C. I. system—they charge interest up to a certain point and then, when the interest is becoming overdue for a long while and the company sees that it will not be collected, it stops charging interest. Although, according to the law, it would be entitled to collect that interest, nevertheless it enters this mortgage plus interest as an asset at the amount where it stopped charging the interest; so that legally they could include a larger amount of interest, although they actually do not.

Mr. BAKER: It would be safe to assume, no doubt, that in 1932 the situation of interest due and unpaid would be much worse than it is shown here in 1931; so the percentage of losses that these companies sustain on non receipt of interest is a very serious item which has to be covered in the interest they do receive and charge, providing they are going to remain in business.

Mr. SPENCER: It is nothing like the losses incurred by the mortgagors, surely.

Mr. GANONG: A lot of the 1930 interest would be in the 1931 interest?

Mr. MARSHALL: Yes.

The ACTING CHAIRMAN: It is cumulative.

Mr. SPEAKMAN: There is another point to keep in mind. When the rate of interest is increased in order to cover losses, after you reach a certain point, the higher the interest the higher the risk. Not only do they charge a high rate of interest to cover the higher risk, but by charging a higher rate of interest beyond that which can be earned they increase the risk. It works both ways.

The ACTING CHAIRMAN: It makes it harder to pay.

Dr. COATS: Now, coming to question 4 of Mr. Speakman's memorandum: "length of time for which loans made, and the purposes, in a general way, for which money was borrowed. Also conditions, such as renewals, compounding

of interest, and, in a general way, type and relative value of security required." We have prepared three tables as bearing on this question which are now distributed (see Appendix "K"); one, showing the composition of the loans in Canada of the Canadian Bank of Commerce in the autumn of 1929 and at February 1932. I might point out that in speaking previously to Mr. Speakerman's resolution reference was made to the paucity of information in this connection, in fact, the entire lack of information insofar as bank loans are concerned, an omission, however, which is partially met in the case of the Bank of Commerce which publishes from time to time in its monthly commercial letter the composition of the loans as issued by the bank.

Mr. SPENCER: Is that the reason you took the Bank of Commerce—I was wondering?

Dr. COATS: We picked out the Bank of Commerce because it is the only bank from which information of this kind is available. It supplies this information voluntarily in its own publication. Table I reproduces these figures; table II has some similar figures based on the returns of trust and loan companies; and table III is based on the figures of assets of life insurance companies. I think that table I—the table based on the Bank of Commerce returns—is interesting as showing the trend in which the Committee was interested a moment ago in the case of Dr. Morand's question. It is interesting to note, as between November 1929 and February 1932, how the incidence of the loans made by the Bank of Commerce has changed. For instance, take item No. 1 "governments and municipalities." That shows an increase of 28 per cent, whereas in November 1929 that item was occupying fourth place in the list if we consider totals of each group. However, the loans accorded to No. 10 "sundry dealers and traders" have still continued to occupy second place in group totals with a decrease, however, of 33 per cent. In 1929 third place was occupied by "call loans"; today third place is occupied by "loans on grain, flour, meats etc." Fourth place in 1929 was occupied by "loans to governments and municipalities"; today fourth place is occupied by "call loans, loans on securities to security houses, underwriters and so forth."

Mr. MORAND: With regard to No. 1 "governments and municipalities" you have not the relative amounts applied to the federal government, the provincial governments and municipalities?

Dr. COATS: No. It is not divided. These returns are exactly as printed by the bank. It is only, as it were, by accident that we have them.

Mr. MORAND: The reason I asked that is that most municipalities that I know have had a curtailment of their loans.

The ACTING CHAIRMAN: I understand this to mean that in view of the depressed business conditions the banks have built up a backlog of government and municipal securities which bear a lower relative rate of interest than commercial loans and loans on call or trade paper which bear a higher rate of interest. It further discloses the fact that they are not able to use their funds at the present time to as great advantage from the standpoint of earnings.

Mr. HOWARD: That sheet is a marvellous find; it tells us more than that; it shows us one of the reasons why we are in the position we are in. This bank's loans have increased to municipalities and governments by 28 per cent by squeezing out other business—the lumber industry, which is always the smallest group loan, 30 per cent decrease; your "general stores, sundry wholesalers and retailers," a decrease of 51.4 per cent; "trade paper discounted, sterling and foreign bills of exchange, 52.4 decrease. In other words, this Bank called in the money from legitimate business right and left, decreased loans everywhere, and increased its loans to governments and municipalities.

The ACTING CHAIRMAN: Does it mean that? Or does it reflect the decreased volume of business being carried on in the country?

Mr. STANLEY: Not only that. You have this to face. Someone said that municipalities were not getting the loans. The contrary is the fact. Taxes have not been paid and the banks have been carrying municipalities and tax collecting bodies all over the country so that the various merchants and other persons who should pay taxes all over the country have not been paying their taxes, and the banks have been carrying municipalities. On the other hand, Mr. Chairman, as pointed out, merchants, wholesalers, retailers, industries, manufacturers and all the rest of them are not requiring the same loans because they have not the same business to carry on. Banking business is not, as I understand it, for loaning on permanent capital investment but for carrying on the legitimate immediate transactions of business. Industry is not doing it these days. It is not a matter so much that we have need of capital or loans as the fact that the business is not there to require the loans.

The ACTING CHAIRMAN: I think, to get a true picture, we would have to call the banking people and get them to interpret this statement to us; otherwise, I think we will only give it our own personal interpretation as it appeals to us from our own personal experience. It is only the picture of one bank, although I imagine it is more or less a reflex of all the banks.

Mr. GANONG: This is only the loans; not the bonds they own?

The ACTING CHAIRMAN: Total gross loans \$413,000,000. I imagine that is gross loans of the Bank of Commerce for this period 1929. This is only loans; it does not apply to investments. Mr. Ganong is referring to investments by the bank.

Dr. COATS: The Bank of Commerce is one of the three large banks.

Mr. BAKER: There is one viewpoint of this picture which is rather favourable to the banks, and that is that they apparently have loaned their money to the municipalities and governments which require money to keep afloat, and the demands by different classes of business for money was much less on account of business being at a low point; so they have to loan money where the money is required. The weak point is not the fault of the banks, it is the fault, I would think, that the taxes of governments and municipalities are too great.

The ACTING CHAIRMAN: Mr. Howard, if you will look at page 30 of the printed report of this committee you will find under the heading "appendix D," "bank loans," and the figure is as follows, \$1,059,269,650.

Mr. HOWARD: Taking the 1932 column on this sheet it gives you two billion dollars, if you multiply 291 million by 10.

Dr. COATS: The exact figures, for 1932, for total loans by banks, the average for the 12 months, both inside and outside of Canada, was \$1,582,667,313.

Mr. HOWARD: That is pretty close.

Mr. SPEAKMAN: This is one-fifth of the total loans, not one-tenth?

Dr. COATS: Yes, one-fifth.

Mr. SPENCER: Loans are away down to-day from what they were four years ago.

Dr. COATS: Oh, yes. An index of that is in this bank statement. It is down 29 per cent in the period covered. I might say, gentlemen, that there is a very useful chapter in the Canada Year Book on "Currency and Banking in Canada" which is devised to bring all the main statistics of our banks together, from year to year, with sufficient historical background and explanatory matter as to bank mechanism as to make it readable and intelligible to students of banking the world over. It explains terms that are peculiar to the Canadian system, so that the student of banking in general finds it a useful

compendium of information. In view of the fact that next year the Bank Act will be under revision and that materials of this kind will be somewhat in demand, we have had a reprint made of the current issue of that chapter of the Year Book on currency and banking, and if it would be of interest to the Committee I should be very glad to send a copy of this to each member. It is really a useful and comprehensive survey within a reasonable compass of the entire banking situation.

The CHAIRMAN: Table II. (Appendix "K")

Dr. COATS: Table II is an analysis based on the reports of trust and loan companies for Ontario in as far as it is shown in their reports of the securities on which their mortgages are made and the purposes in a broad way to which those loans are devoted. It will be noted that mortgages on real estate are the big items.

Mr. STANLEY: When you say that it is an Ontario report, you mean that it concerns Ontario companies who are doing business anywhere in Canada?

Dr. COATS: Doing business all over Canada. As a matter of fact, it is more representative than it might seem from the title because it includes all the big loan and trust companies that are doing business in Canada; and Table III is the same sort of thing exactly and is based on the report of the insurance companies.

Mr. SPEAKMAN: It says, "Ontario report". Although it is a report of the Ontario Government, it includes all business all over Canada?

Dr. COATS: Quite so.

The ACTING CHAIRMAN: It is not confined to Ontario companies alone; it represents companies that report to the Ontario Government?

Dr. COATS: Yes.

The ACTING CHAIRMAN: It would include all the big companies. They are all doing business in Ontario.

Mr. SPEAKMAN: The figures that are reported are not confined to Ontario, but rather to business that is done by those companies?

Dr. COATS: It is quite a representative statement, because the companies incorporated under Ontario law include all the big companies operating in Canada.

Mr. SPEAKMAN: Quite. This is the total business. It is not only the business done in Ontario.

The ACTING CHAIRMAN: Would not that include a company like the Montreal Trust Company which operates in Ontario, although it is not incorporated in Ontario?

Dr. COATS: Yes.

The ACTING CHAIRMAN: It is not confined to Ontario incorporated companies?

Dr. COATS: No.

The ACTING CHAIRMAN: Table No. III, "assets of life insurance companies".

Mr. SPENCER: What does "total assets, guaranteed funds" mean in Table II?

Mr. MARSHALL: The trust companies get their money in two ways: in the first place, the shareholders put a certain amount of money in and that money is called company funds; but, in addition to that, they raise money by selling what they call guaranteed investments certificates which pay a certain amount of interest. These are the guaranteed funds. Of course, they raise money by taking deposits as well.

The ACTING CHAIRMAN: Does it include trust company funds delivered to them for the purpose of administration?

Mr. MARSHALL: No. It does not.

The ACTING CHAIRMAN: Of course, that is a large portion of their business.

Mr. MARSHALL: Yes.

Mr. BAKER: It is noticeable in Table III that while the Canadian companies have moneys invested in real estate the British companies and foreign companies have practically nothing in real estate.

The ACTING CHAIRMAN: That is very natural.

Mr. BAKER: They are not helping us as much as the Canadian companies are.

The ACTING CHAIRMAN: With regard to No. 1, Table No. III, "real estate held under agreements of sale", that would not include their own premises?

Mr. MARSHALL: No. It is an arrangement that is made in the West.

The ACTING CHAIRMAN: Where they deal in agreements of sale.

Mr. MARSHALL: Yes, sir.

The ACTING CHAIRMAN: Therefore, it is security.

Mr. MARSHALL: Yes, sir.

Mr. SPENCER: What would "loans on collateral" be?

The ACTING CHAIRMAN: Stocks and bonds, for instance. Those are really call loans, are they not?

Mr. MARSHALL: No. They are for rather a longer time than a bank would loan.

The ACTING CHAIRMAN: All these companies are in the call loan market at times?

Mr. MARSHALL: They may be. I am not sure.

Mr. PETTIT: That would be loans on their own policies.

The ACTING CHAIRMAN: No. Those are under a separate heading, "policy loans", No. 4.

Mr. BAKER: The British and foreign companies do not help us as much on loans on collateral as do the Canadian companies.

The ACTING CHAIRMAN: Some of the foreign companies do not loan on collateral at all.

Mr. BAKER: It is quite noticeable that these British and foreign companies are not as useful to the country as our own Canadian companies are, or as helpful. It is a matter of management, but it is well to note it.

Mr. SPEAKMAN: The total assets and business are very much smaller.

The ACTING CHAIRMAN: There is one suggested feature of this table, under item 4—there has been a substantial increase on loans on policies.

Mr. SPENCER: In every single instance.

Mr. MORAND: Would it be possible, for the sake of the record, to get a copy of the various mortgage adjustment laws passed in the provinces in the last three years?

The ACTING CHAIRMAN: I think that would be quite simple to get.

Dr. COATS: Yes.

Mr. HOWARD: We might have it for the last year, as the law now stands.

The ACTING CHAIRMAN: Whatever the law is at present.

Mr. HOWARD: Yes. If we see how Quebec stands and how Ontario and Saskatchewan stand, we have the picture right before us.

The ACTING CHAIRMAN: You had better specify to the clerk of the committee just what you want.

Mr. MORAND: What I had in mind was that every province, except the Maritime Provinces, have passed moratorium acts or debt adjustment acts of some kind, and if we had them in this evidence it would give us an idea of what is being done in each province and what the general relation is to the general problem.

Mr. BOTHWELL: I think, in connection with that, you will find you will have a lot of printing to do. In the province of Saskatchewan they passed a debt adjustment act this year and it took about a page and a half in the newspapers.

The ACTING CHAIRMAN: Was it a consolidation?

Mr. BOTHWELL: A new act consolidating certain provisions of the old act, and putting into effect entirely new provisions. It seems to me that what we want here is more or less a synopsis of the provisions of these various acts as they apply to the matter we have under examination here.

The ACTING CHAIRMAN: Perhaps Dr. Coats and his assistant would undertake to supply a short synopsis.

Mr. HOWARD: Just a summary of each act.

Mr. STANLEY: Some two months ago, I believe, representatives of the loan companies met representatives of the three western provinces, and they had a fairly satisfactory conference, and some publicity was given to some parts of it. It seems to me it would be a good idea to include a summary of the result of this conference in the evidence we have here, and print it for our own information.

The ACTING CHAIRMAN: I believe Mr. Marshall is in a position to give you information to-day.

Mr. MARSHALL: I am afraid I cannot give the information in a detailed way at the present moment; but I think perhaps we should say that we have already sent out a questionnaire to the debt adjustment boards of the three prairie provinces, and yesterday we got a reply back from Manitoba. We have not had much time to analyze it yet, and while it does not give nearly all the information for which we asked in our questionnaire, it does give a good deal, so that this matter is under way, and we might add to that an analysis of the acts.

The ACTING CHAIRMAN: Shall we proceed with the second part of this fourth question?

Dr. COATS: I might explain, that from page 4 on of this memorandum, which has been handed to you, there are some notes as to the length of time for which loans are made. You might remember, in speaking to this same question at an earlier stage, it was pointed out that short term loans meant loans from three to six months; middle term loans, loans twelve to twenty-four months; and long term loans, which were found in different fields of business, ran up to five years. A mortgage is usually a five-year loan; but no complete classification of loans, according to the length of time, is in existence anywhere. The great bulk of banking accommodation is placed in the first class in regard to short term loans. From page 4 on, of this memorandum, there are given first some notes supplementing that general statement as to mortgages, the procedure in regard to length of time of the farm loan boards of the Dominion and of Manitoba, Saskatchewan, and Ontario; and then, that has been supplemented, on the subject of banking loans, with some quotations which I think the Committee would find of interest from Stewart Patterson's "Canadian Banking," which is an authoritative and very interesting manual on the whole subject of banking.

There is no necessity to read these quotations; but we selected them as being of interest by a very trustworthy authority on this specific point.

The ACTING CHAIRMAN: In this statement here on Canadian Farm Loan Boards, you mention 23-year plan; are they strictly limited to that, because I thought they had other plans?

Mr. MARSHALL: Their act stated 23 and 32 years. There may be other terms; I cannot say for certain.

The ACTING CHAIRMAN: Is it limited by the Act?

Mr. MARSHALL: It mentions 23 and 32 years in the Act.

Mr. BAKER: Mr. Chairman, the contents of those documents we are now looking over will be written into the minutes of this meeting, I presume?

The ACTING CHAIRMAN: They will be printed as appendices, the clerk tells me.

Mr. BAKER: It is our desire to show that the Bureau of Statistics has furnished this information.

Mr. SPENCER: Referring to the last clause on page 4, I find the following:—

Under certain conditions of farming, more especially in the west, credit for a farmer is more or less a necessity, and loans to responsible farmers are a desirable and legitimate business for a bank.

There is practically nothing moving in that direction just now.

Mr. HOWARD: Times have changed.

Mr. SPENCER: Banks are very sympathetic to the people in this country. They were asked if any such loans were made last year and they said practically none.

Mr. LAWSON: I think the explanatory statement of Mr. Patterson explains it “....the farmer will have little trouble in obtaining banking loans.”

Mr. SPENCER: A farmer is a liability at the present time.

Dr. COATS: Mr. Patterson's book, although he is dead, is up-to-date. I notice the imprint is 1932. He may be relied on as being fairly authoritative, although local and temporary conditions exist.

Mr. SPENCER: We are going through rather difficult and unfamiliar times just now, and it has upset all those general arrangements.

Dr. COATS: Quite so.

The ACTING CHAIRMAN: You have been supplied with a further memorandum on the fifth question. (See Appendix “L”).

Mr. MARSHALL: This memorandum was meant to give some information of the returns which are received by shareholders in those various types of companies. The reason we had two columns, one for capital paid up and the other for reserve fund, and contingency reserve, in table one, was owing to the fact it is customary to look upon dividends paid by trust and loan companies in banks, as being altogether on the capital paid up. In the case of table one where it shows reserve fund and contingency reserve, this rather exaggerates the situation, because the contingency reserve is for purposes which meant that it should not be altogether attributed to the shareholders as being owned by them. But we cannot separate the figures, and so they are combined. If you look on the right of 1929, you will find 11.34 for loan companies. It is claimed one should take into consideration the fact that the reserve fund is owned by the shareholder and has been accumulated during the course of quite a number of years and therefore is really like an addition of capital. The same thing applies in table 2, as regards the banks.

Mr. LAWSON: In table 1 where you say "dividends on paid up capital" for 1929, "11.3 per cent," that would be calculated, on the first figure of \$37,792,214.

Mr. MARSHALL: It is declared on the capital paid up, and not on the other.

Mr. LAWSON: It is really the dividend on the sum total of \$76,000,000.

The ACTING CHAIRMAN: It is on the earnings. Of course, you must always bear in mind that reserve fund has been built up by the profits, and has not been contributed to in any degree by the shareholders, except in a negative sense, in that they have not participated in those earnings. Now, in the case of trust and loan companies, the shareholders are treated pretty well.

Mr. SPEAKMAN: I was going to say Mr. Chairman, no matter how it is calculated, the fact apparently remains that during the five years when those who borrow on mortgages and in any other way, were unable to pay their interest, those loan and trust companies and the banks themselves, have been able to make rather remarkable returns by way of interest on the actual money they had invested.

The ACTING CHAIRMAN: I am afraid that is not the situation just now.

Mr. SPEAKMAN: But it is up to 1931. It shows a remarkable contrast taking into consideration the former memoranda, which shows interest in arrears and the amount of mortgages outstanding. Notwithstanding that, these people have been able to pay large dividends; and the dividends received by the companies and the banks, I think, show a rather striking contrast. Perhaps it is a fine thing that one class of the community are very prosperous.

The ACTING CHAIRMAN: Unfortunately, the class of people you refer to, are the big saving institutions, who are stockholders of those institutions. The holdings of bank shares in Canada by individuals is relatively small. If you analyze the shareholdings of the big bank institutions of this country, you will find that the largest shareholders are the big institutions who invested the accumulation of their savings over a great many years.

Mr. SPEAKMAN: Well, the banks do very well, anyway.

Mr. LAWSON: I assume Dr. Coats has no available information as to whether those reserve contingency funds were built up in years when dividends were paid on capital, or whether they have been built up by non-payment of dividends in certain years.

The ACTING CHAIRMAN: Likely the two; one thing and another.

Mr. BAKER: The dividends were pretty high in that period too.

The ACTING CHAIRMAN: If you go back and review the annual rates of those institutions from time to time, you will see they get a little better the farther back you review.

Dr. COATS: I think it is wise to keep in mind in regard to reserve funds this, that first, they have been accumulated, apart from the dividends originally paid, out of earnings on the capital; but that sum growing, as it has been for years, it is now in a sort of quasi capital position, and is in turn earning and contributing to the sum total out of which annual dividends are paid.

Mr. BAKER: It is really the thrifty saving of many years.

Mr. SPENCER: Thrifty profits.

Mr. BAKER: It really represents thrifty savings.

Mr. LAWSON: The only thing I had in mind, Mr. Chairman, is this: the book pictures are sometimes very misleading. In order to get a true viewpoint as to how well these trust and loan companies have done, I suggest it would be

necessary to know whether they had paid dividends in those years when those reserve and contingency funds were being built up, and for us to analyze any such dividends.

The ACTING CHAIRMAN: Of course.

Mr. ROBINSON: Is it not a fact Dr. Coats, that most of the trust companies have reduced their dividends by about two per cent?

Dr. COATS: I think the general tendency has been to reduce them, yes.

Mr. MORAND: Wages on money has gone down 2 per cent, and wages on everything else has gone down 100 per cent.

The ACTING CHAIRMAN: Is two per cent quite true.

Mr. LAWSON: I think that is an exaggeration on both ends.

Mr. HOWARD: What about the middle?

Mr. LAWSON: Wages have gone down as much as 20 per cent.

Mr. MORAND: Living and property wages have been reduced anywhere from 50 to 100 per cent.

Mr. LAWSON: Oh, no, surely not.

Dr. COATS: The Bank of Montreal has cut its dividend rate from 14 to 8 per cent.

The ACTING CHAIRMAN: Which is about 40 per cent, a little different from the two per cent stated a moment ago.

Mr. SPEAKMAN: In any case, it is a remarkable showing, considering the amount of arrears shown on interest payments due on mortgages that institutions are still able to show a dividend rate of this kind through those years. It is a remarkable showing.

Mr. LAWSON: I can plainly see I made a mistake in my investments.

Mr. HOWARD: Mr. Speakman, you must face this situation: that this table up to 1932 does not show what you are going to get in 1933, or 1934. When the losses are taken, which they have to take, there is only one place to take them, and that is out of that reserve fund. That is the only place they are going to come out of when it drops down, and then you will see quite a change.

Mr. SPEAKMAN: I am comparing the years 1929, 1930 and 1931, showing the arrears of mortgages, interest payments made on mortgages on the one hand, and the profits made by the loaning companies during those same years, and the dividends paid during those same years, and it is obvious that the contrast is very, very striking.

Mr. MORAND: Is there any question that some of those dividends may have been paid out of reserve?

Mr. LAWSON: They may have been.

Mr. MORAND: There is a reduction in reserve.

The ACTING CHAIRMAN: The loan companies show a remarkable decline in reserve from \$38,000,000 in 1929 to \$23,000,000 in 1932.

Mr. BOTHWELL: The trust companies have increased.

The ACTING CHAIRMAN: They have slightly increased, about one million.

Mr. LAWSON: My only regret is I do not hold shares in trust companies.

Mr. GANONG: Some of those companies have fallen by the wayside.

Mr. LAWSON: This is the average.

The ACTING CHAIRMAN: The old and well established companies, I think, we will all agree, have done very well.

Mr. BAKER: Of course, it is a matter of good business to guard against a poor showing for 1932.

Mr. SPEAKMAN: They are fortunate in being able to do so.

Mr. BAKER: They are wise to do so, also.

The ACTING CHAIRMAN: Table II is fairly self-explanatory. I may say for the information of the Committee, the Bank of Nova Scotia has also reduced its dividends.

Mr. MORAND: May I ask this question: here is a statement which says the paid up capital of the Bank of Nova Scotia is \$10,000,000 and the rest or reserve fund is \$20,000,000. Does that belong to the shareholders to take care of the double liability, or is the double liability over and above that?

The ACTING CHAIRMAN: The double liability is over and above that. I should like to point out in the case of Bank of Nova Scotia, a great deal of stock of new issue was issued at a very high premium, in the same relative proportion as I recollect it, as the capital bears towards the rest. For instance, when the Bank of Nova Scotia was putting out new stock to shareholders, they were given the right to purchase it at a price fixed, one on the par value of the shares, plus a premium approximately equivalent—I would not say definitely—to the amount of the reserve; and the result is, a shareholder would pay \$300 for a \$100 share, upon which he would receive a return of \$16 on \$100, or a little over 5 per cent, $5\frac{1}{3}$ per cent of a return on the capital invested.

Mr. LAWSON: Of which \$300, \$100 would go to capital stock—

The ACTING CHAIRMAN: —and \$200 contributed to reserve. When you hear they are paying 16 per cent dividends, it does not by any means mean a return of 16 per cent on the investment; rather does it mean a very moderate return of about 6 per cent or less.

Mr. MORAND: There has been an increase of only \$2,000,000 in your capital over the original \$10,000,000.

The ACTING CHAIRMAN: No, it started out very small. They have just issued a booklet, which I should be very glad to get, showing the whole history of the bank. They had one defalcation which actually wiped out the whole of the capital, in the early years of the bank.

Mr. SPENCER: Can you give us the value of the shares to-day?

The ACTING CHAIRMAN: Any stock exchange list will give you that. It has been up over \$400, but has been reduced in value over one-half.

Mr. CUDMORE: It is around \$240.

Mr. HOWARD: As a matter of fact, the Canadian Bank of Commerce's last issue of stock was put out at \$200, and to-day it is around \$123. I was one of the people who took it.

Mr. LAWSON: You should pay for your privileges.

The ACTING CHAIRMAN: While you got a dividend of \$12 per share, you actually got a return of much less than that.

Mr. LAWSON: You should pay for those privileges.

Mr. HOWARD: Yes, I am paying and you are too.

The ACTING CHAIRMAN: I should not like the Committee to get the idea that bank shareholders, the people who have bought in recent years, ever got anything like a return of 16 per cent from the Bank of Nova Scotia. The people who bought 50 years ago, or their estates, may be getting it.

Mr. HOWARD: I do not think that is a point we should criticize. I think the idea is the spread between earnings and the money they are lending, not what they pay out to the shareholders, because I think that is fairly established.

Mr. BAKER: That is a false idea that prevails.

The ACTING CHAIRMAN: I think they are mighty lucky if they get 16 per cent, but they have all the time the bug-bear of the double liability.

Mr. SPENCER: It is not always paid.

The ACTING CHAIRMAN: I have had some experience in collecting it, and as a rule banks make a determined effort.

Mr. SPENCER: As I understand it in the Home Bank case, they did not get more than 50 per cent.

Mr. HOWARD: Just a moment ago you stated that in regard to the Bank of Nova Scotia, the capital was \$10,000,000, and I understood you to say the reserve fund was \$20,000,000, and besides that you have double liability?

The ACTING CHAIRMAN: This \$10,000,000 as at 31st December, 1929, represents \$10,000,000 paid-up capital on the equivalent number of shares, and in addition to that the bank had a reserve fund of 200 per cent, which in case of a failure of a bank would have to be drawn on. In addition to that, the double liability is still hanging over the heads of the shareholders.

Mr. LAWSON: The bank could not fail until the \$20,000,000 is eaten up.

Mr. MORAND: There is nothing to prevent them from taking their reserve as extra dividend?

The ACTING CHAIRMAN: Nothing at all; it belongs to the shareholders legally but it would not be a very sound policy.

Mr. LAWSON: Is not there something in our statute requiring them to have a certain reserve?

Mr. CUDMORE: They cannot pay more than a certain rate of dividend until this reserve is at least 30 per cent of the capital.

The ACTING CHAIRMAN: There is a limitation, I know.

Mr. SPEAKMAN: As I understand table II, where it gives us Bank of Nova Scotia, paid-up capital of \$10,000,000 and a reserve fund of \$20,000,000, the dividend rate of 16 per cent applies only to the \$10,000,000.

The ACTING CHAIRMAN: Right, \$16 on a \$100 share.

Mr. SPEAKMAN: The other has been built up out of former dividends.

The ACTING CHAIRMAN: Undistributed profits.

Mr. LAWSON: Not always.

The ACTING CHAIRMAN: Built up probably from the premiums paid by shareholders, not out of earnings. I think the Bank of Nova Scotia would be able to supply some interesting information as to how much the shareholders have contributed in actual cash in regard to reserve fund.

Mr. LAWSON: I think you will find that most bank reserves are built up from premiums from stock, and not much from undistributed income. Certainly that has been the practice in most cases.

The ACTING CHAIRMAN: The Bank of Nova Scotia has been in business for a little over 100 years.

Mr. LAWSON: I mean banks generally. I think that information may be available. All you would have to do is to write to Mr. McLeod, and he will give it to you, showing how much of this reserve has been contributed in cash by the shareholders themselves over a period of years.

The ACTING CHAIRMAN: Yes, and it would astonish you.

Mr. MORAND: That would be interesting.

The ACTING CHAIRMAN: They have the exact information showing just how much the shareholders have contributed to that reserve fund by way of premiums.

Mr. LAWSON: In regard to table III, I find the following: "Currency and sterling debentures." That is a new term to me; would someone tell me what it is?

Mr. MARSHALL: These data were obtained from one of the large mortgage companies. By currency they mean dollars, American or Canadian dollars, and sterling, of course, is sterling. The table is meant to illustrate the actual interest they had to pay on the money which they borrowed on the debentures and debenture stock, in order to have the companies loan out that money. They had a column on their mortgage rates up and down in relation to what they have to pay for money. So the last day, we had in the previous memorandum, a table, table IV, which gave us some average figures, but they seemed to obscure the trend to a certain extent and so we got the actual experience of one bank, the actual rates, not averages, and this is the result.

The ACTING CHAIRMAN: One loan company?

Mr. MARSHALL: Yes, one loan company.

Mr. LAWSON: But debentures issued over sterling come under the classification of currency?

Mr. MARSHALL: Yes.

Mr. SPENCER: What do you mean by the letters "N.M." in the third column?

Mr. MARSHALL: The rates there, $5\frac{1}{2}$. Take 1919, $5\frac{1}{2}$ to $5\frac{1}{4}$. The $5\frac{1}{2}$ rate prevailed in the first half of the year and the $5\frac{1}{4}$ the second half; that is, a private loan made in the first half. Then, if you took out a loan in the last half of the year, they have got it at 5 per cent—it is new money.

The ACTING CHAIRMAN: Well, this shows the approximate rates paid are about equivalent to the rates in the Old Country.

Mr. MORAND: Where do you get this money to pay this interest on? Where does this money come from on which they paid 5 per cent in 1917, the currency?

Mr. LAWSON: They sell debentures.

Mr. MORAND: To the public?

Mr. MARSHALL: Yes.

Mr. MORAND: Not on anything they deposit with the government?

Mr. MARSHALL: No.

The ACTING CHAIRMAN: Borrowed capital that is what it is and by way of debentures.

Mr. HOWARD: They issue their own debentures.

The ACTING CHAIRMAN: Under the act they are entitled to do it, or at least most of them.

Mr. BAKER: This company paid a good high rate.

Mr. HOWARD: Most of them do to the public.

Mr. MORAND: Mr. Chairman, I do not see a quorum. Shall we adjourn to meet at the call of the Chair?

Mr. HOWARD: Before you adjourn, I should like to mention this. Supposing we should get through here next week, which I hope is possible, what are we going to do in regard to a report? Are we going to make a report before the closing of parliament?

The ACTING CHAIRMAN: I think I should refer you to Mr. Matthews. I am only *locum tenens* to-day.

Mr. HOWARD: Supposing we should get finished in the House next Thursday, which I think possibly we will, I should not like to see the work of the committee up to date dropped. I do not know what we are going to do in regard to a report, but I hope something will be done.

The ACTING CHAIRMAN: I think you had better discuss that with Mr. Matthews, or at the next meeting.

The committee adjourned at 12.30 p.m. to meet again at the call of the Chair.

APPENDIX "H"

THE SECRETARY OF STATE OF CANADA

OTTAWA, April 13, 1933.

DEAR MR. MATTHEWS: With further reference to your letter of the 8th of March, I am sending you herewith a copy of a letter which I have received from the Attorney-General of New Brunswick, in answer to the questions prepared by a sub-committee of the Committee on Banking and Commerce, concerning debts and interest rates within Canada.

Yours very truly,

C. H. CAHAN,

Secretary of State.

R. C. MATTHEWS, Esq., M.P.,
House of Commons,
Ottawa, Ont.

Copy.

THE GOVERNMENT OF THE PROVINCE OF NEW BRUNSWICK

OFFICE OF THE ATTORNEY GENERAL

FREDERICTON, N.B., April 10, 1933.

Honourable C. H. CAHAN,
Secretary of State,
Ottawa.

DEAR SIR,—The Provincial Secretary-Treasurer, Honourable Mr. Leger, has referred to me your letter to him of March 10 in which you submit certain questions relative to the power of the Dominion Parliament with respect to interest rates and other matters connected therewith. In my opinion, the answers to the various questions submitted are as follows:—

1. Has the Dominion Parliament the power to fix a maximum rate of interest which may be charged to loans, etcetera, made by corporations created by Dominion statute or letters patent where (a) such corporations were previously incorporated; (b) such corporations are to be incorporated? Answers: (a) Yes; (b) Yes.

2. Has the Dominion Parliament any power to prescribe the maximum rate of interest chargeable on loans generally made by (a) persons; (b) corporations created by statute or letters patent other than federal? Answers: (a) Yes; (b) Yes.

3. Has the Dominion Parliament the power (a) to fix; (b) to alter rates of interest in respect of bills of exchange and promissory notes? Answers: (a) Yes; (b) Yes.

4. (a) Has the Dominion Parliament power to enforce reduction of principal of debt in respect of loans made: (i) by corporations incorporated under jurisdiction of the Dominion Parliament; (ii) by corporations created by other jurisdictions; (iii) by individuals? Answers: (i) No; (ii) No; (iii) No. (b) If necessary for the determination of the above questions, is any differentiation to be made between loans: (i) secured upon real property; (ii) secured upon personal property; (iii) without security? Answers: (i) No; (ii) No; (iii) No.

Yours faithfully,

C. D. RICHARDS,

Attorney General.

APPENDIX "I"

THE SECRETARY OF STATE OF CANADA

OTTAWA, April 10, 1933.

Dear Mr. MATTHEWS,—With further reference to your letter of the 8th of March, I am sending you herewith a copy of a letter which has been transmitted to me by the Provincial Secretary of Manitoba, in answer to the questions prepared by a sub-committee of the Committee on Banking and Commerce, concerning debts and interest rates within Canada.

Yours very truly,

C. H. CAHAN,

Secretary of State.

R. C. Matthews, Esq., M.P.,
House of Commons,
Ottawa, Ontario.

ATTORNEY GENERAL,

Winnipeg, April 3, 1933.

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Honourable D. L. MCLEOD,
Provincial Secretary,
Building.

DEAR SIR:

Re list of questions relative to rate of interest, etc.

On the 14th ultimo you wrote me enclosing letter dated 10th ultimo to yourself from Honourable C. H. Cahan, K.C., Secretary of State of Canada, Ottawa, Canada, and also enclosing the enclosure which accompanied the said letter from Honourable Mr. Cahan.

The said enclosure was a copy of a resolution which was considered by the Select Standing Committee of the House of Commons on Banking and Commerce.

The said letter from Honourable Mr. Cahan stated that said Committee in considering the said resolution appointed a sub-committee to prepare a list of questions which they are desirous of submitting to the Attorney-General of Manitoba for an opinion thereon.

The said list of questions then follows in the said letter from Honourable Mr. Cahan.

The closing paragraph in the said letter from Honourable Mr. Cahan is as follows:

It would be appreciated if the opinion of the Attorney-General of your Province in respect of these questions could be obtained as soon as conveniently possible, in order to ascertain whether the legal authorities of the several Provinces entertain the same opinions in reference thereto.

I will repeat the questions in the order in which they are set out in the said letter from Honourable Mr. Cahan and will give my answers (opinion) relative to the respective questions immediately after each question.

Question 1. Has the Dominion Parliament the power to fix a maximum rate of interest which may be charged on loans, et cetera, made by corporations created by Dominion statute or letters patent where (a) such corporations were previously incorporated; (b) such corporations are to be incorporated? Answers to question 1: (a) Yes; (b) Yes.

Question 2. Has the Dominion Parliament any power to prescribe the maximum rate of interest chargeable on loans generally made by (a) persons; (b) corporations created by statute or letters patent other than federal? Answers to question 2: (a) Yes; (b) Yes. Question 3. Has the Dominion Parliament the power (a) to fix; (b) to alter rates of interest in respect of bills of exchange and promissory notes? Answers to question 3: (a) Yes; (b) Yes.

In answering as above the said three questions as to "interest" I desire to say that there are very few decided cases directly in point to guide one in answering said questions. The above answers relative to "interest" are my best opinion guided as I have been by what has already been decided by the courts in regard to the relative jurisdictions of the Parliament of Canada and the legislatures of the provinces under the terms of The British North America Act, 1867.

Question 4. (a) Has the Dominion Parliament power to enforce reduction of principal of debt in respect of loans made: *i.* By corporations incorporated under jurisdiction of the Dominion Parliament; *ii.* By corporations created by other jurisdictions; *iii.* By individuals? (b) If necessary for the determination of the above questions, is any differentiation to be made between loans: *i.* Secured upon real property; *ii.* Secured upon personal property; *iii.* Without security?

Answer to question 4: In my opinion it is difficult to give an answer to this question 4 which is any degree satisfactory until one has before him the particular legislation which is to be enacted.

Under section 91 of The British North America Act, 1867 the Parliament of Canada is given legislative authority to make laws for the peace, order and good government of Canada in relation to all matters not coming within the class of subjects assigned exclusively to the legislatures of the provinces and for greater certainty etc. is given exclusive legislature authority relative to (for example)

- (15) banking, incorporation of banks and the issue of paper money;
- (18) bills of exchange and promissory notes;
- (21) bankruptcy and insolvency.

Under section 92 of The British North America Act, 1867, the legislature of each province is given exclusive legislative authority relative to (for example):

- (13) property and civil rights in the province.

As I understand it the courts have refrained from giving a definition of such expressions as "laws for the peace, order and good government of Canada," "banking, incorporation of banks and the issue of paper money," "bills of exchange and promissory notes," "bankruptcy and insolvency" and "property and civil rights in the province" as used in The British North America Act, 1867, aforesaid.

The decided cases hold,

No doubt there may be cases arising out of some extraordinary peril to the national life of Canada, as a whole, such as the cases arising out of a war, where legislation is required of an order that passes beyond the heads of exclusive Provincial competency. Such cases may be dealt with under the words at the commencement of s. 91, conferring general powers in relation to peace, order and good government, simply because such cases are not otherwise provided for.¹

A province cannot validly legislate in derogation of a civil right existing and enforceable outside the province.²

The Dominion Parliament has, under the initial words of s. 91, a general power to make laws for Canada. But these laws are not to relate to the classes of subjects assigned to the Provinces by s. 92, unless their enactment falls under heads specifically assigned to the Dominion

¹ *Toronto Electric Commissioners v. Snider*, (1925) A.C. 396, at p. 412.

² See *Royal Bank of Canada v. The King* (1893) A.C. 283.

Parliament by the enumeration in s. 91. When there is a question as to which legislative authority has the power to pass an Act, the first question must therefore be whether the subject falls within s. 92. Even if it does, the further question must be answered, whether it falls also under an enumerated head in s. 91. If so, the Dominion has the paramount power of legislating in relation to it. If the subject falls within neither of the sets of enumerated heads, then the Dominion may have power to legislate under the general words at the beginning of s. 91.³

That there can be a domain in which provincial and Dominion legislation may overlap, in which case neither legislation will be ultra vires, if the field is clear; and, secondly, that if the field is not clear, and in such a domain the two legislations meet, then the Dominion legislation must prevail.⁴

Hence if the legislation in question which is to be enacted "to enforce reduction of principal of debt in respect of loans made, etc." is legislation arising out of which might be termed a national emergency in my opinion it can be validly enacted by and only by the Parliament of Canada.

Hence again if the legislation in question which is to be enacted "to enforce reduction of principal of debt in respect of loans made, etc." can be classed as (say) banking, incorporation of banks and the issue of paper money legislation, or bills of exchange and promissory notes legislation or bankruptcy and insolvency legislation, in my opinion it can be validly enacted by and only by the Parliament of Canada.

If any legislation "to enforce reduction of principal of debt in respect of loans made, etc." were enacted by the legislature of a province and is found in conflict with legislation enacted by the Parliament of Canada relative to (say) a national emergency, or banking, incorporation of banks and the issue of paper money, or bills of exchange and promissory notes, or bankruptcy and insolvency, then in my opinion, the legislation enacted by the legislature of a province is invalid.

One can understand a situation (for example) in which a debtor resides in one province of Canada and a creditor outside said province. In such a case it appears that the legislature of the province in which the debtor resides cannot validly legislate in derogation of a civil right existing and enforceable outside the province.

The above is my answer to the whole of question 4.

I take it that you will communicate in the usual way with Honourable Mr. Cahan.

Yours truly,

(Sgd.) W. J. MAJOR,

Attorney-General.

³ Toronto Electric Commissioners v. Snider (1925) A.C. 396, at p. 406.

⁴ Grand Trunk Railway Co. of Canada v. A.G. of Canada (1907) A.C. 68.

APPENDIX "J"

MEMORANDUM—DOMINION BUREAU OF STATISTICS FOR THE COMMITTEE ON BANKING AND COMMERCE

Questions raised at last meeting—

Mr. WILLIS: What has been done by the mortgage companies in the way of "writing off"?—Answer: The Dominion Mortgage and Investment Association is looking into this matter and some information will be available later.

Dr. MORAND: Is it possible to show by years and by provinces the amount of arrears on mortgages; showing whether the arrears are for one, two, three, four or such term of years as it possibly can be shown?—Answer: Some information is available on this point and is shown in accompanying tables. More is being obtained through the Dominion Mortgage and Investment Association.

TABLE I.—Mortgages held by Insurance Companies showing interest in arrears one year or more and mortgages written off.

TABLE II.—Loan and Trust Companies—Interest Due and Unpaid.

TABLE I.—INVESTMENTS OF INSURANCE COMPANIES
ALL MORTGAGES IN DOMINION OF CANADA
(In millions of dollars)

Total outstanding (end of year)	Total with interest in arrears one year or more		Total written off	
	Amount	Per cent	Principal only	
			Amount	Per cent
1921.....	143.9	8.7	6.0	0.19
1922.....	163.6	11.8	7.2	0.47
1923.....	189.0	15.3	8.1	1.43
1924.....	203.4	15.1	7.4	2.03
1925.....	234.6	15.0	6.4	1.28
1926.....	265.4	11.6	4.4	1.57
1927.....	306.7	10.2	3.3	1.79
1928.....	352.3	9.0	2.6	1.43
1929.....	392.7	7.9	2.0	0.98
1930.....	421.3	13.7	3.3	1.37
1931.....	437.3	30.7	7.0	2.65

FARM MORTGAGES IN DOMINION OF CANADA

1921.....	67.8	6.8	10.0	0.06	0.09
1922.....	75.5	10.0	13.2	0.4	0.53
1923.....	80.0	13.3	16.6	0.9	1.1
1924.....	79.8	13.5	16.9	1.4	1.8
1925.....	76.9	13.5	17.6	1.1	1.4
1926.....	73.1	9.9	13.5	1.3	1.8
1927.....	73.9	8.5	11.5	1.6	2.2
1928.....	77.3	7.9	10.2	1.2	1.6
1929.....	80.6	6.7	8.3	0.8	0.99
1930.....	78.5	12.9	16.4	0.9	1.15
1931.....	77.2	29.4	38.1	2.2	2.85

URBAN MORTGAGES IN DOMINION OF CANADA

1921.....	76.1	2.0	2.6	0.12	0.16
1922.....	88.1	1.8	2.0	0.11	0.12
1923.....	109.0	2.0	1.8	0.54	0.50
1924.....	123.7	1.7	1.4	0.66	0.53
1925.....	157.7	1.6	1.0	0.22	0.14
1926.....	192.3	1.7	0.88	0.26	0.14
1927.....	232.9	1.6	0.69	0.23	0.10
1928.....	275.0	1.1	0.40	0.26	0.19
1929.....	312.2	1.2	0.38	0.19	0.16
1930.....	342.8	0.8	0.23	0.43	0.13
1931.....	360.1	1.3	0.36	0.42	0.12

TABLE I—INVESTMENTS OF INSURANCE COMPANIES—Concluded

(In millions of dollars)

FARM MORTGAGES IN PROVINCE OF SASKATCHEWAN

Total outstanding (end of year)	Total with interest in arrears one year or more		Total written off	
	Amount	Per cent	Amount	Per cent
\$ 36.7	\$ 3.3	9.0	\$ 0.04	0.1
41.6	4.6	11.1	0.15	0.4
43.4	4.7	10.8	0.30	0.7
43.9	4.6	10.5	0.40	0.9
42.6	5.1	11.9	0.19	0.5
40.1	3.6	9.0	0.20	0.5
40.5	3.3	8.1	0.36	0.9
42.1	3.0	7.1	0.59	1.4
44.3	2.9	6.5	0.29	0.7
44.0	7.9	18.0	0.24	0.5
43.4	20.0	46.1	0.68	1.5

FARM MORTGAGES IN PROVINCE OF MANITOBA

1921	11.6	1.1	9.5	0.02	0.17
1922	12.7	2.2	17.3	0.02	0.16
1923	14.0	3.1	22.1	0.08	0.57
1924	14.1	3.6	25.5	0.23	1.6
1925	13.9	3.5	25.2	0.12	0.86
1926	13.9	2.9	20.9	0.16	1.15
1927	14.1	2.5	17.7	0.24	1.7
1928	14.4	2.7	18.7	0.25	1.7
1929	14.1	2.4	17.0	0.37	2.6
1930	11.3	2.7	23.9	0.56	5.0
1931	10.8	4.6	42.6	0.60	5.6

FARM MORTGAGES IN PROVINCE OF ALBERTA

1921	17.6	2.3	13.1	0.003	0.17
1922	19.0	3.1	16.3	0.19	1.00
1923	20.3	5.2	25.6	0.42	2.07
1924	19.5	5.2	26.7	0.71	3.64
1925	18.1	4.8	26.5	0.73	4.03
1926	16.8	3.4	20.2	0.94	5.60
1927	17.0	2.6	15.3	0.95	5.59
1928	18.5	2.1	11.3	0.32	1.73
1929	20.1	1.1	5.5	0.12	0.60
1930	21.6	2.1	9.7	0.13	0.60
1931	21.5	4.8	22.3	0.94	4.37

TABLE II.—MORTGAGE LOANS AND AGREEMENTS FOR SALE ON REAL ESTATE
WITH INTEREST DUE AND UNPAID DECEMBER 31ST, 1930, AND 1931

ONTARIO REPORT

	Total Outstanding		Interest due and unpaid
<i>Loan Corporations—</i>			
Western Provinces.....	1931	59,535,343	3,240,147
	1930	59,172,807	2,076,925
Eastern Provinces.....	1931	117,490,036	1,024,662
	1930	117,517,964	887,966
<i>Trust Companies—</i>			
Western Provinces.....	1931	32,918,284	2,379,988
	1930	32,678,260	1,695,486
Eastern Provinces.....	1931	62,714,426	370,362
	1930	59,213,273	239,823

APPENDIX "K"

Question 4. Length of time for which loans made, and the purposes, in a general way, for which money was borrowed. Also conditions, such as renewals, compounding of interest, and, in a general way, type and relative value of security required.

The following tables throw some light on this:—

TABLE I. Composition of the Loan in Canada of the Canadian Bank of Commerce in the autumn of 1929 and at February, 1932.

TABLE II. Assets of Trust and Loan Companies Illustrating Character of Loans.

TABLE III. Assets of Life Insurance Companies Illustrating Classes of Loans.

Statement of length of loans.

TABLE I.—COMPOSITION OF THE LOANS IN CANADA OF THE CANADIAN BANK OF COMMERCE IN THE AUTUMN OF 1929 AND AT FEBRUARY, 1932

	November, 1929	February, 1932	Percentage of Increase or Decrease
1. Governments and municipalities.....	\$ 43,000,000	\$ 55,000,000	28.0 inc.
2. Public utilities, insurance companies, trust companies, automobile finance companies, etc.....	24,000,000	22,000,000	8.3 dec.
3. Farmers and ranchers.....	32,000,000	26,000,000	18.7 "
4. Grain, flour, meats, etc.....	78,000,000	37,000,000	52.6 "
5. Manufacturers—Agricultural implements, iron and steel, mining, automobiles, textiles, wearing apparel, etc.....	41,000,000	30,000,000	26.8 "
6. General stores and sundry wholesalers and retailers.....	29,000,000	17,000,000	51.4 "
7. Lumbering industry, including pulp and paper.....	13,000,000	9,000,000	30.8 "
8. Contractors, builders, etc.....	14,000,000	10,000,000	28.6 "
9. Call loans, loans on securities to security houses, under- writers, etc.....	55,000,000	33,000,000	40.0 "
10. Sundry dealers and traders, and individual customers of the Bank throughout the Dominion.....	63,000,000	42,000,000	33.3 "
11. Trade paper discounted, sterling and foreign bills of ex- change purchased.....	21,000,000	10,000,000	52.4 "
	413,000,000	291,000,000	29.6 dec.

The Monthly Commercial Letter,
The Canadian Bank of Commerce,
Toronto, May, 1932—Page 4.

TABLE II.—ASSETS OF TRUST AND LOAN COMPANIES ILLUSTRATING
CHARACTER OF LOANS

The Ontario report of assets includes the following items:—

	1930	1931
LOAN CORPORATIONS		
1. Real estate held for sale.....	\$ 1,774,368	\$ 2,177,626
2. Mortgages and agreements on real estate including interest.....	181,536,080	182,976,673
3. Loans on stocks and bonds including interest.....	6,658,577	1,723,720
4. Total assets.....	230,392,651	233,627,090
TRUST COMPANIES (Company Funds)		
1. Real estate held for sale.....	2,174,229	2,891,686
2. Mortgages and agreements on real estate including interest.....	21,348,032	20,464,598
3. Loans on stocks and bonds including interest.....	5,911,474	3,631,372
4. Total assets, company funds.....	60,849,247	59,694,465
(Guaranteed Funds)		
1. Mortgages and agreements on real estate including interest.....	72,423,223	77,390,504
2. Loans on stocks and bonds, including interest.....	47,748,984	25,708,353
3. Total assets, guaranteed funds.....	147,472,025	136,696,080

TABLE III.—ASSETS OF LIFE INSURANCE COMPANIES ILLUSTRATING CLASSES OF LOANS

		Dec. 31st, 1930	Dec. 31st, 1931
CANADIAN COMPANIES			
1. Real estate held under agreements of sale.....	14,199,004	11,698,617	
2. Loans on real estate.....	338,187,113	345,431,316	
3. Loans on collateral.....	820,811	295,013	
4. Policy loans.....	229,108,632	267,576,694	
5. Total assets.....	1,511,426,759	1,610,130,921	
BRITISH COMPANIES			
1. Real estate held under agreements of sale.....	58,704	78,931	
2. Loans on real estate.....	12,501,381	12,283,851	
3. Loans on collateral.....	2,741	12,331	
4. Policy loans.....	4,136,916	4,698,575	
5. Total assets.....	56,447,549	58,440,038	
FOREIGN COMPANIES			
1. Real estate held under agreements of sale.....	11,701		
2. Loans on real estate.....	30,488,337	31,191,807	
3. Loans on collateral.....			
4. Policy loans.....	43,325,671	50,847,586	
5. Total assets.....	407,447,549	437,611,528	

LENGTH OF TIME FOR WHICH LOANS MADE

MORTGAGES

Five-year term most common, although some companies have issued longer term mortgages in the past and probably do so still. For example, the Canada Permanent Mortgage Corporation has offered mortgages on the amortization plan limited to 20 years.

The Canadian Farm Loan Board issues mortgages on a 23-year and 32-year plan.

The Manitoba Farm Loan Board issued mortgages on a 30-year amortization basis. Borrower can pay off any time after five years.

The Saskatchewan Loan Board has a 30-year amortization plan.

The Ontario Agricultural Development Board works on a 20-year plan.

BANKS

As is well known, bank loans are for short periods. Where a firm has established a line of credit with a bank, it is expected that loan will be cleaned up at least once a year.

Stewart Patterson *Canadian Banking*, page 199, states:—

Current loans can be broadly divided into advances to customers and bills and notes maturing. The latter are the more desirable because they are principally composed of trade bills, with a currency of from sixty to ninety days, and as a rule can be relied upon to be retired at maturity. A good portfolio of bills is an important factor in maintaining a liquid position, and the normal way of replenishing a bank's cash reserve is through funds received as loans are repaid. Canadian banks as a rule refuse to take longer term paper than that of three or four months' currency; in fact the average currency of a good bill file should not exceed six weeks, which would mean a steady flow of money coming in every day, even if only 50 per cent of the items maturing were paid in full.

Regarding loans to farmers, Mr. Patterson states (page 206 *Canadian Banking*):—

Under certain conditions of farming, more especially in the West, credit for a farmer is more or less a necessity, and loans to responsible farmers are a desirable and legitimate business for a bank.

Bank credit may be legitimately advanced to farmers as to other producers to finance their operation while production is in process. In regions where farming is well diversified, and income is received regularly throughout the year, the farmer should have little need for bank credit. On the other hand, where the greater part of the farmer's income is obtained from the sale of crops in the fall, he may require credit to carry his operations from seeding to harvests. Loans may also be made for some specific purpose—such as the purchase of live stock for fattening—in other words for the creation of a liquid asset. In the West, however, where grain growing only prevails, a farmer has practically only one crop a year, and it is necessary for him to have credit while he is preparing for the crop, as he has to wait until the fall before receiving any return for his year's work. Seed must be bought, labour paid for, and while the crop is growing he must live. Few farmers can cultivate their farms without some credit either from a bank or store, and if no credit were extended, they could neither purchase nor produce anything.

Credit to a farmer, no matter what his moral or financial standing, is relative and should not exceed a year's supplies at any time. The loan should be cleaned up regularly after harvest unless arrangements were made by way of advances under section 88 of the Bank Act.

As a rule, the farmer should not require to borrow from the bank until seed-time to pay for seed, labour, and the like. If his crop is successful, he should be clear of his indebtedness before the end of the year.

A clause in section 88 of the Bank Act permits a bank to lend money to a farmer "on the security of his threshed grain grown upon the farm." The addition of this clause was due to the fact that the grain grown by a farmer in the West was expected to clean up his indebtedness at harvest time or shortly afterward. This condition worked a hardship on the farmer, who sometimes had to throw his crop on the market regardless of prices, instead of having an opportunity to await normal conditions. The volume of sales in the fall was supposed, moreover, to depress prices and adds to the confusion and congestion on the railways. The farmer is now in a position to offer the security of a staple article, and can borrow enough on his crop to pay off his indebtedness.

INSURANCE COMPANIES

LOANS ON POLICIES

The length of time during which loans on insurance policies run varies greatly. Some may run until the policy is terminated by the death of the insured, others are settled by the surrender of the policy and some are paid off in shorter or longer periods.

TABLE I—TRUST AND LOAN COMPANIES
LIABILITIES TO SHAREHOLDERS AND DIVIDENDS PAID

	Capital paid up	Reserve fund and contingency reserve	Total	Dividends On paid up capital
Loan Companies:				
1929.....	37,792,214	38,526,291	76,318,505	11.34
1930.....	36,746,925	23,655,133	60,402,058	11.64
1931.....	35,781,158	23,815,019	59,596,177	11.63
Trust Companies:				
1929.....	24,897,093	18,897,011	43,794,104	9.63
1930.....	26,339,156	19,933,459	46,272,615	9.80
1931.....	26,761,596	19,592,335	46,353,931	10.32

TABLE II—BANK LIABILITIES TO SHAREHOLDERS AND RATE OF DIVIDEND PAID,
DECEMBER 31, 1929 TO DECEMBER 31, 1931

Bank	Year ending	Capital (Paid up)	Rest or Reserve Fund	Capital plus Reserve	Dividend Rate
Bank of Montreal.....	Dec. 31, 1929	36,000,000	38,000,000	74,000,000	12 + 2
	" 31, 1930	36,000,000	38,000,000	74,000,000	12 + 2
Bank of Nova Scotia.....	" 31, 1931	36,000,000	38,000,000	74,000,000	12
	" 31, 1929	10,000,000	20,000,000	30,000,000	16
	" 31, 1930	12,000,000	24,000,000	36,000,000	16
Bank of Toronto.....	" 31, 1929	12,000,000	24,000,000	36,000,000	16
	" 31, 1930	6,000,000	9,000,000	15,000,000	12 + 1
Banque Provinciale du Canada.....	" 31, 1931	6,000,000	9,000,000	15,000,000	12 + 1
	" 31, 1929	4,000,000	1,500,000	5,500,000	9
	" 31, 1930	4,000,000	1,500,000	5,500,000	9
Canadian Bank of Commerce.....	" 31, 1929	4,000,000	1,500,000	5,500,000	9
	" 31, 1930	30,000,000	30,000,000	60,000,000	12 + 1
Royal Bank of Canada.....	" 31, 1931	30,000,000	30,000,000	60,000,000	12 + 1
	" 31, 1929	35,000,000	35,000,000	70,000,000	12 + 2
	" 31, 1930	35,000,000	35,000,000	70,000,000	12 + 2
Dominion Bank.....	" 31, 1931	35,000,000	35,000,000	70,000,000	12
	" 31, 1929	6,996,030	8,996,030	15,992,060	12 + 1
	" 31, 1930	7,000,000	9,000,000	16,000,000	12 + 1
Banque Canadienne Nationale.....	" 31, 1931	7,000,000	9,000,000	16,000,000	12
	" 31, 1929	6,999,190	7,000,000	13,999,190	10
	" 31, 1930	7,000,000	7,000,000	14,000,000	10
Imperial Bank of Canada.....	" 31, 1931	7,000,000	7,000,000	14,000,000	10
	" 31, 1929	7,000,000	8,000,000	15,000,000	12 + 1
	" 31, 1930	7,000,000	8,000,000	15,000,000	12 + 1
Weyburn Security Bank.....	" 31, 1931	7,000,000	8,000,000	15,000,000	12
	" 31, 1929	524,560	250,000	774,560	7
	" 31, 1930	524,560	225,000	749,560	
Barclay's Bank (Canada).....	" 31, 1931	x	x	x	x
	" 31, 1929	500,000	500,000	1,000,000	
	" 31, 1930	500,000	500,000	1,000,000	
	" 31, 1931	500,000	500,000	1,000,000	

xAbsorbed by Imperial Bank of Canada May 1, 1931.

TABLE III—MEMORANDUM SHOWING RATES OF INTEREST PAID FROM 1917 TO 1932
ON CURRENCY AND STERLING DEBENTURES
(FROM ONE LARGE LOAN COMPANY)

Year	Currency	Sterling
1917.....	5%	5½%
1918.....	5½	5½
1919.....	5½	5½-5⅓ and 5 for N.M.
1920.....	5½	5½-6%
1921.....	5½	6
1922.....	5½	5½-5%
1923.....	5½	5%
1924.....	5½	5% and 4⅓ for N.M.
1925.....	5½-5%	5%
1926.....	5%	5%
1927.....	5%	5%
1928.....	4⅓	4⅓-5%
1929.....	4⅓-5%	5%
1930.....	5%	5%
1931.....	4⅓-5%	5%-4⅓
1932.....	5½	5%-4⅓ and 4⅓ for N.N.

N.B. Currency: Cost for Commission in 1932 amounted to 4½%. Percentage for interest, commission and charges in 1932 to average debentures—5·02%.

Sterling: Cost for commission, agents' charges, bank charges in 1932 amounted to 332%. Percentages for interest, commission and charges in 1932 to average debentures—5·28%.

SESSION 1932-33
HOUSE OF COMMONS

SELECT STANDING COMMITTEE



ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

FRIDAY, MAY 12, 1933

Containing Report to House respecting Debts and Interest
Rates

OTTAWA
J. O. PATENAUME, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

FRIDAY, May 12, 1933.

The Select Standing Committee on Banking and Commerce met at 10.30 a.m. Mr. Matthews, the Chairman, presided.

Members present: Messrs. Arthurs, Chaplin, Euler, Fafard, Geary, Harris, MacMillan (Saskatoon), Matthews, Morand, Perley (Qu'Appelle), Robinson, Smoke, Speakman, Spencer, Stanley.

The Chairman read a communication, dated May 8, 1933, from Hon. Mr. Cahan, Secretary of State, together with an enclosure from the Assistant Provincial Secretary of the Province supplying answers to questions prepared by the sub-committee of the Committee *re* debts and interest rates within Canada. (See *Minutes of Evidence of this day*).

The Chairman presented and read a draft report.

The Chairman's draft report was discussed and, on motion of Mr. Morand, it was

Resolved,—That the said draft report be adopted as the report of the Committee for submission to the House.

The Committee adjourned to meet at the call of the Chair.

JOHN T. DUN,

Clerk of the Committee.

MINUTES OF EVIDENCE

THE SECRETARY OF STATE OF CANADA

OTTAWA, May 8, 1933.

Dear Mr. MATTHEWS.—With further reference to your letter of the 8th of March, I am sending you herewith a copy of a memorandum which has been transmitted to me by the Assistant Provincial Secretary of the Province of Quebec, in answer to the questions prepared by a sub-committee of the Committee on Banking and Commerce, concerning debts and interest rates within Canada.

Yours very truly,

C. H. CAHAN,

Secretary of State.

R. C. MATTHEWS, Esq., M.P.,
House of Commons,
Ottawa, Ontario.

DEPARTMENT OF THE ATTORNEY GENERAL

QUEBEC, May 5, 1933.

MEMORANDUM on the questions submitted by a sub-committee of the Select Standing Committee of the House of Commons on Banking and Commerce, as to the powers of the Dominion Parliament respecting "Interest," said memorandum approved by the Attorney General of Quebec.

1. Has the Dominion Parliament the power to fix a maximum rate of interest which may be charged on loans, et cetera, made by corporations created by Dominion statute or letters patent where

- (a) such corporations were previously incorporated;
- (b) such corporations are to be incorporated?

ANSWER: 1. (a) Yes.

(b) Yes.

Because of the exclusive power conferred upon the Government of Canada by No. 19 (Interest) of section 91 of the British North America Act, 1867.

2. Has the Dominion Parliament any power to prescribe the maximum rate of interest chargeable on loans generally made by

- (a) persons;
- (b) corporations created by statute or letters patent other than federal?

ANSWER: 2. (a) Yes.

(b) Yes.

For the same reason.

3. Has the Dominion Parliament the power
(a) to fix;
(b) to alter

rates of interest in respect of bills of exchange and promissory notes?

ANSWER: 3. (a) Yes.
(b) Yes.

For the same reason.

4. (a) Has the Dominion Parliament power to enforce reduction of principal of debt in respect of loans made
i. by corporations incorporated under jurisdiction of the Dominion Parliament;
ii. by corporations created by other jurisdictions;
iii. by individuals?

ANSWER: 4. (a) i. No.
ii. No.
iii. No.

Because exclusive power is given to the provinces by No. 13 over "Property and Civil Rights in the Province."

All corporations within a province are subject to the civil laws obtaining in it however and wherever they may have been incorporated; and all individuals are subject to the same civil laws in the province whatever may have been their origin.

4. (b) If necessary for the determination of the above questions, is any differentiation to be made between loans
i. secured upon real property;
ii. secured upon personal property;
iii. without security?

ANSWER: No differentiation is to be made.

CHARLES LANCTOT,

Deputy Attorney General.

REPORTS OF THE COMMITTEE

SIXTH REPORT

The Select Standing Committee on Banking and Commerce beg leave to present the following as a Sixth Report:—

On Monday, 6th February, 1933, the following Order of Reference issued from the House, viz:—

Ordered,—That the following Proposed Resolution be referred to the Select Standing Committee on Banking and Commerce:—

Whereas the question of public and private indebtedness has become one of our greatest and most perplexing problems, enhanced during the past years by the extremely low price level of all primary commodities, through which this indebtedness must be in large part met and the effect of which has been to double and treble the actual burden of these liabilities; and,

Whereas this fact has been recognized in respect of certain international obligations, and has become a practical issue in respect of the public obligations of many countries; and,

Whereas no such recognition has as yet been given to the heavy private indebtedness within this country, although these, together with the high interest rates which prevail, constitute just as heavy and impossible a burden to the individual, as do national and international obligations to the countries concerned; and

Whereas this situation is one of the greatest factors in the present economic depression, and is one of the greatest barriers to the financial recovery of agriculture and industry, and as such, deserves and commands the immediate attention of this parliament;

Therefore be it Resolved,—That, in the opinion of this House, the Government should give serious and immediate attention to the question of debts and interest rates within this country, and the possibility of their reduction, either by way of direct action, or by the submission of the entire problem to the Select Standing Committee on Banking and Commerce, in order that the subject may be fully enquired into, and if possible, some solution found.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

In view of the general terms in which the resolution is expressed, the sponsor was asked to prepare a memorandum indicating more specifically the ground he would suggest the Committee endeavour to cover. This was done, and the memorandum may be found on Page 3A of the printed evidence.

The Committee accepted the task set before it, but to obtain the information outlined to the Committee by the proposer of the resolution, was an undertaking that in part was incapable of fulfilment. For example, a comprehensive answer to the question asking for a general classification of the wealth level of

all lenders of money would require a complete census of the wealth of private individuals as well as of corporations. Such a census, in the view of the Committee, could not accurately be taken.

While the Dominion Statistician was able to supply from existing records a large amount of relevant statistics, additional data are needed which can only be obtained by special enquiries for which a period of time covering some weeks or even months will be necessary. In view of these facts, this report must necessarily be limited in scope and is not intended to be a complete review of the subjects contained in the reference.

Nevertheless, studies of the material gathered to date reveal tendencies upon which certain conclusions may be based. These are developed in the paragraphs which follow:—

I. PUBLIC DEBT—DOMINION OF CANADA

(a) *Debt Outstanding.*

The total of unmatured funded debt of the Dominion on March 31, 1933, was \$2,715,910,607. From this amount should be deducted sinking funds of \$66,001,724, leaving the net funded debt at \$2,649,908,883.

(b) *Interest Rate.*

Interest payable on this total was \$127,239,499, or an average rate of 4.68 per cent. On specific bond issues the rate varies from $2\frac{1}{2}$ per cent on the loan of \$4,888,186 made in London in 1897, due in 1947, to $5\frac{1}{2}$ per cent payable on Victory Loans maturing in 1933, 1934 and 1937.

Evidence presented to the Committee indicates a downward tendency in interest rates in recent years. The yield on typical Dominion Government bonds used by the Bureau of Statistics in their index of long term interest rates, which was as high as $5\frac{1}{2}$ per cent in 1922, was down to a rate of $4\frac{1}{2}$ per cent in 1933. This cheapening of the cost of money is reflected in the current interest rates, which have been paid on various classes of debts. The average rate of interest paid on Dominion Government funded debt was 5.20 per cent in 1922, and in 1932 was 4.97 per cent. The current rate, due to the effect of conversion loans, is 4.68 per cent.

Since the Committee began its sittings, the rate of interest on savings deposits in banks has been reduced from 3 per cent to $2\frac{1}{2}$ per cent, in loan and trust companies from 4 per cent to $3\frac{1}{2}$ per cent, in the Post Office from 3 per cent to $2\frac{1}{2}$ per cent, and in the Province of Ontario Savings Office from 3 per cent to $2\frac{1}{2}$ per cent.

(c) *Sinking Funds.*

Sinking funds are applicable only to sterling bonds issued in London, of a par value of \$254,000,000. The amount presently held in the sinking fund represents about one-quarter of the outstanding principal of the issues to which the sinking fund applies. With respect to other issues, retirements have been made from yearly surpluses from time to time, but no definite program of debt retirement has been laid down in the past.

Recommendations re Public Debt.

1. The Committee highly recommends the conversion of outstanding obligations from a higher to a lower rate of interest when the state of the money

market warrants its. The conversion loan of 1931 is an example of the benefits of this practice, as shown by the following table:—

CONVERSION LOAN, 1931

Description of Loan Converted	Amount Converted	Interest Old	Rate New	Maturity of Conversion Issue	Annual Saving in Interest
Second War Loan 1916-31.....	\$ 38,625,700	5 per cent	4½ per cent	1956	\$ 193,128
Renewal Loan 1922-32.....	37,523,200	5½	4½	1957	375,232
Victory Loan 1918-33.....	276,688,100	5½	4½	1958	2,766,881
Victory Loan 1919-34.....	285,772,300	5½	4½	1959	2,857,723
Total.....	638,609,300				6,192,964

The annual saving of interest is shown to be \$6,192,964.

In pointing out that bonds maturing within a short time should be converted to lower rates of interest as soon as it can be done, the Committee calls attention to the possibilities as shown in the following figures:—

There are outstanding Victory Loans maturing in 1933 and bearing 5½ per cent interest, \$169,971,850.

Victory Loans maturing in 1934, and bearing 5½ per cent interest, \$226,138,350.

The conversion of these 5½ per cent securities presently falling due affords an opportunity of further reducing the burden of fixed charges. If they were converted to a 4½ per cent coupon the saving per annum in interest would be \$3,961,102. If the rate of interest were 4 per cent, the saving would be \$5,941,653.

The Committee expresses the hope that a coupon rate not exceeding 4 per cent may be used. Any discount on the sale of the bonds could be absorbed by amortization.

2. A general amortization or debt retirement plan should be put into effect as soon as finances permit, and the annual payment to effect this end should be budgeted for each year. The adoption of this plan would ensure an orderly retirement of the existing debt within a definite period.

The Committee particularly draw attention to the fact that after the heavy redemptions that will be necessary up to and including 1937, there follows a period of twenty years in which the maturities in any one year are not so large as to involve major borrowing operations.

3. Future long term bond issues should either

- (a) have sinking fund provisions; or
- (b) have their maturity dates arranged, in so far as practicable, to conform with the suggested plan of annual debt retirement.

In good times, when revenues are buoyant and no bonds maturing, the pressure for increased capital expenditure throughout the country is almost irresistible. When maturities are coming due, the Minister of Finance must provide for them. Hence the desirability of regularity of maturities.

4. Long term issues should, when possible, have callable provisions so that in times of low interest rates advantage may be taken to re-finance.

If and when these recommendations are adopted, the whole debt structure of the Dominion of Canada will be on a retirement basis that will tend to safeguard and indeed improve the credit of the country.

We are of opinion that an emphasis on the integrity of our national obligations will reaffirm to our own people and to the world that in trustworthiness and quality we stand for the honour of our bargains, whether convenient or not.

The following table summarizes the situation as regards public debt in the Dominion, its provinces and municipalities, and the funded debt of corporations:—

PUBLIC DEBT OF CANADA, ITS PROVINCES AND MUNICIPALITIES, FUNDED DEBT OF CORPORATIONS, TOGETHER WITH INTEREST PAYMENTS,
(Latest Available Figures)

	Amount	Interest	Average Rate
Net Debt of Canada March 31st, 1933, (preliminary) (1)	\$ 2,599,089,000	\$ 121,637,365	4.68
Bonds guaranteed by the Dominion of Canada as to principal and interest, and interest only March 31st, 1933, (2)	996,148,354	45,356,904	4.55
Gross Direct Liabilities of Provinces, fiscal years ending in 1932 (3)	1,363,382,464	62,715,593	4.6
Indirect Liabilities of Provinces, fiscal years ending in 1932 (4)	215,977,011	9,071,034	4.2
Grand Total Direct Liabilities of all Canadian Municipalities Dec. 31st, 1931 (5)	1,584,000,000	77,616,000	4.9
Corporations—			
Railways (6)	919,000,000	40,897,000	4.45
Other Corporations (7)	1,178,000,000	64,672,009	5.49
	8,855,596,829	421,965,896	4.77

(1) Funded debt was \$2,715,910,607 with interest charges of \$127,239,499.

The net debt figure is used in preference to that for gross debt (\$2,990,315,000) because certain items in the gross debt are offset by active assets (\$391,226,000), which are in large part cash assets and interest bearing assets. Among the active assets are loans to Provinces which should appear among Provincial debts. If they were included in Dominion Government debt also there would be duplication. Net debt figures are used in preference to funded debt because the latter would include money raised and put into active assets, such as loans to Provinces.

(2) Bonds guaranteed by the Dominion. Of these, interest only is guaranteed on principal amounting to \$216,000,000. Principal and interest are guaranteed for the remaining \$780,148,354.

(3) The largest item in Provincial public debt is the bonded debt which totals \$1,148,451,597. In addition there were treasury bills amounting to \$103,707,602, bank loans, savings deposits, etc.

(4) Indirect liabilities of the Provinces include guarantees of railway, hydro-electric, municipal obligations, etc.

(5) This figure includes the total liabilities of all municipalities in six provinces and the bonded debt of the others (the total liabilities not being available). The amount given is, therefore, the lowest at which the aggregate direct liabilities of Canadian municipalities can be placed.

(6) Only the unguaranteed portion of Canadian National bonded indebtedness is included here, the guaranteed debt being included in the second item of the table.

(7) Other corporations include industrial, financial, merchandising, etc.; in fact, all except public and railways.

II. MUNICIPAL DEBT

The gross debenture debt of municipalities numbering over 4,200, by provinces, as at December 31, 1931, was as follows:—

Province	Bonded Debt
Alberta	\$ 78,679,570
British Columbia	129,913,890
Manitoba	116,864,937
Ontario	499,002,074
Nova Scotia	31,386,025
New Brunswick	21,477,521
Prince Edward Island (a)	1,863,211
Quebec	362,132,334
Saskatchewan	47,488,595

Total \$ 1,288,808,157

(a) 1930.

Other liabilities, consisting of temporary loans and overdrafts on banks, accounts payable and miscellaneous floating liabilities, amount to \$295,223,318.

Interest payments on municipal bonded debt average 4.9 per cent or on the total shown in the table above, \$63,151,599.

III. PRIVATE DEBT

While the figures for public debt can be obtained with approximate completeness, those for private indebtedness can only partially cover the field. Figures for bank loans are a matter of monthly record and were submitted to the Committee.

Concerning mortgages, definite information is obtainable for only a portion of the field. In the census of 1931, a question regarding mortgages was included in the farm schedule. As a result of this investigation it was ascertained that out of a total of 654,297 owned and partly owned farms in the Dominion, 244,201 were mortgaged to the extent of \$677,564,100. It should be pointed out that these figures refer only to the debt secured by a mortgage or by an equivalent legal instrument on lands and buildings. Details may be found in the evidence. These figures apply also only to "owned" farms. It is estimated that urban mortgages held by corporate lenders amount to about \$765,000,000.

No attempt has been made to compile information on debts of private individuals which may have been contracted in various ways, because of lack of available data.

IV. BANK INTEREST

Rates of bank interest and discount are not available by provinces but average rates for the Dominion as a whole are known. Average interest rates on loans, including call loans, show declines from 1930 to 1932.

MAXIMUM AND MINIMUM AVERAGE INTEREST AND DISCOUNT RATES CHARGED BY ALL BANKS ON LOANS OR ADVANCES IN CANADA DURING THE YEARS 1930, 1931 AND 1932.

	Average Interest		Average Discount	
	Maximum*	Minimum*	Maximum*	Minimum*
	per cent	per cent	per cent	per cent
1930.....	6.43	6.29	6.99	6.86
1931.....	6.39	6.05	6.80	6.66
1932.....	6.18	6.03	6.81	6.67

N.B.—These average rates include call loan transactions on which for some years past the prevalent interest rate had been 6 per cent.

*Each bank reports quarterly its maximum and minimum rates. The averages shown above are the averages of four quarterly periods and of all banks.

V. MORTGAGE RATES OF INTEREST

Considerable data were secured by the Dominion Bureau of Statistics from the Dominion Mortgage and Investments Association, and from some individual mortgage companies relating to interest charged on mortgages. Average rates were obtained from 57 companies, which show current rates ranging from 6 per cent to 8 per cent in all provinces except Quebec, where slightly lower rates were reported. One large company furnished records showing that the average rate on new rural and urban mortgages for the Dominion declined from 8.35 per cent in 1921 to 6.84 per cent in 1931. On renewals the rate fell from 8.17 per cent in 1921 to 6.90 per cent in 1931.

In general, it may be concluded in the cases of the figures supplied that mortgage rates have declined throughout the Dominion in recent years on both new mortgages and renewals.

Nevertheless, these conclusions should only be taken as tentative, because they are based on returns from corporate lenders only. No data are available yet from private lenders or from mortgagors themselves. Statistical enquiries should be instituted to secure information from these sources to round out the case presented by the mortgage companies.

VI. SUPPLEMENTARY INFORMATION REQUIRED

On several other subjects which came to the attention of the Committee, partial information was furnished by the Dominion Bureau of Statistics, but it is felt that the data thus far brought together are insufficient upon which to base definite conclusions, and that an all-round enlargement in the Bureau's organization of financial statistics should be instituted. In particular, in addition to the supplementary information required on mortgage rates (which has already been mentioned) the Committee recommend that the Dominion Bureau of Statistics be authorized to obtain the following:—

Data on fees and charges to which mortgagors are subjected when taking out new mortgages or renewing old ones. Very meagre information is available on this subject, but enquiries are already under way in the Bureau of Statistics.

Data on the cost of money to loaning bodies are required so as to get some idea of the spread between actual costs and loaning rates. Only partial information is now available.

Data on arrears of interest payments and on the amount of principal and interest written off by mortgage companies.

VII. JURISDICTION OF PARLIAMENT

The following questions respecting the jurisdiction of Parliament to legislate on the subject of interest and loans were submitted to the Deputy Minister of Justice, the Deputy Minister of Finance and the Attorneys General of various provinces (pp. ix and x):—

1. Has the Dominion Parliament the power to fix a maximum rate of interest which may be charged on loans, et cetera, granted by corporations created by Dominion statute or letters patent where such corporations were
 - (a) previously incorporated;
 - (b) to be incorporated?
2. Has the Dominion Parliament any power to prescribe the maximum rate of interest chargeable on loans generally made by
 - (a) persons,
 - (b) corporations created by statute or letters patent other than Dominion?
3. Has the Dominion Parliament the power
 - (a) to fix;
 - (b) to alterrates of interest in respect of bills of exchange and promissory notes?

4. (a) Has the Dominion Parliament power to enforce reduction of principal of debt in respect of loans made

- i. by corporations incorporated under jurisdiction of the Dominion Parliament;
- ii. by corporations incorporated under other jurisdictions;
- iii. by individuals?

(b) If necessary for the determination of the above questions, is any differentiation to be made between loans

- i. secured upon real property;
- ii. secured upon personal property;
- iii. without security?

Answer to these questions were made by the Department of Justice and the Attorneys General of Nova Scotia, British Columbia, New Brunswick, Manitoba and Quebec. These answers appear in the Minutes of Proceedings and Evidence as follows:—

Department of Justice, pp. 43 to 48;
A.-G. of Nova Scotia, p. 49;
A.-G. of British Columbia, pp. 65-66;
A.-G. of New Brunswick, p. 187;
A.-G. of Manitoba, pp. 188 to 190;
A.-G. of Quebec, pp. 199-200.

The answers may be summarized as follows:—

Questions 1 (a) and (b)—all answers were in the affirmative.

Questions 2 (a) and (b)—all answers were in the affirmative. The A.-G. of British Columbia, however, said that:—

so far as corporations other than federal are concerned, the Dominion perhaps could not interfere with a contract made with a foreign company outside Canada though the party liable for the interest might reside within Canada.

Questions 3 (a) and (b)—all answers were in the affirmative.

Questions 4 (a), i, ii, iii—all answers, with the exception of that of Manitoba, were in the negative, the Department of Justice excepting, however, bank loans. The A.-G. of Manitoba said that it was difficult to give a satisfactory answer but stated that in the case of legislation arising out of what might be termed a national emergency, or legislation which could be classed as relating to banking, incorporation of banks, the issue of paper money, bills of exchange and promissory notes, bankruptcy and insolvency, the answer would be in the affirmative. He further stated that in the case of a debtor who resides in one province and the creditor outside the said province, the legislature of the province of the debtor could not validly legislate in derogation of a civil right existing and enforceable outside the province.

Questions 4 (b) i, ii, iii—all answers, except in the case of Manitoba, were in the negative. The A.-G. of Manitoba did not answer this question expressly, but it would appear by implication that his answer would have been in the negative.

GENERAL

It is hardly necessary to point out that obligations, both public and private, undertaken when the general price level was much higher, present a serious problem under economic conditions presently prevailing. This is particularly true of Canada, in which within a comparatively short period, heavy obligations have been assumed for capital investments in plant, equipment and transportation facilities connected with the development of our natural resources and the expansion of the productive capacity of the country.

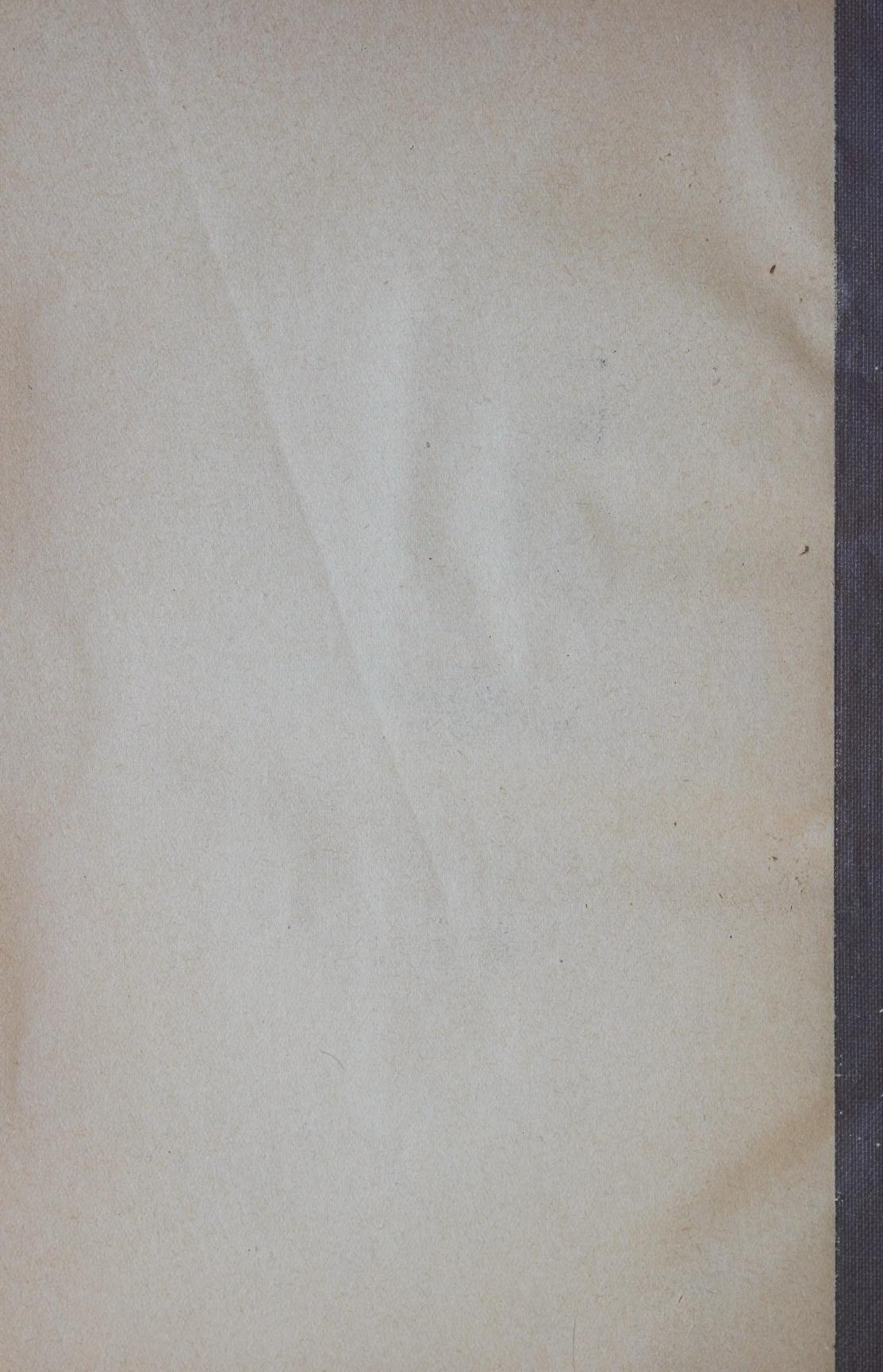
In so far as public debts are concerned, we believe that the most desirable course to be pursued lies in the direction of means that may be taken to cheapen money, and other measures, including international co-operation, designed to lay the foundation for a rise in the general price level and a restoration of world confidence and trade.

Within the country, the balancing of governmental budgets and the conversion of maturing debts at lower interest rates will be a constructive influence. Measures which will tend to relieve the burden of fixed public debts will of course also operate with similar effect in the field of private debts.

The Committee believes that the reduction in interest rates on bank deposits recently achieved with the co-operation of the government is a constructive step, and it is to be hoped, a forerunner of more important action which Canada may be enabled to take in the international sphere as a participant in the World Economic and Monetary Conference.

A printed copy of the evidence taken is tabled with this report.

(For Minutes of Proceedings, etc., accompanying said Report, see Appendix to the Journals, No. 2)



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Author	Canada. Banking and Commerce, Com. Cm.
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	of proceedings and evidence, 1933
DATE	NAME OF BORROWER
July 8/53	Almaire & Julian Jr.
29/6/56	

